

SCOTT COUNTY SCHOOL DISTRICT

**Basic Financial Statements and Supplementary
Information**

Year Ended June 30, 2008

SCOTT COUNTY SCHOOL DISTRICT

TABLE OF CONTENTS

June 30, 2008

	<u>Page</u>
Independent Auditor's Report	1 - 2
Management's Discussion and Analysis	3 - 11
BASIC FINANCIAL STATEMENTS:	
Government-wide Financial Statements:	
Statement of Net Assets.....	12
Statement of Activities.....	13
Fund Financial Statements:	
Balance Sheet - Governmental Funds.....	14
Reconciliation of the Balance Sheet - Governmental Funds to the Statement of Net Assets.....	15
Statement of Revenues, Expenditures and Changes in Fund Balances - Governmental Funds.....	16 - 17
Reconciliation of the Statement of Revenues, Expenditures, and Changes in Fund Balances of Governmental Funds to the Statement of Activities.....	18
Statement of Net Assets - Proprietary Funds.....	19
Statement of Revenues, Expenses and Changes in Net Assets - Proprietary Funds.....	20
Statement of Cash Flows - Proprietary Funds.....	21
Statement of Fiduciary Net Assets.....	22
Statement of Changes in Fiduciary Net Assets.....	23
Notes to the Basic Financial Statements	24 - 40
Supplementary Information:	
Combining Balance Sheet - Nonmajor Governmental Funds.....	42
Combining Statement of Revenues, Expenditures and Changes in Fund Balances - Nonmajor Governmental Funds.....	43

SCOTT COUNTY SCHOOL DISTRICT

TABLE OF CONTENTS

June 30, 2008

Combining Statements - Activity Funds:

Combining Statement of Assets, Liabilities and Due To/From Other Student Groups - Activity Funds.....	44
Combining Statement of Revenues, Expenditures and Changes in Due To/From Other Student Groups - Activity Funds.....	45
Statement of Revenues, Expenditures and Changes in Due To/From Other Student Groups - Scott County High School.....	46 - 48

Budget Comparison Schedules

Statement of Revenues, Expenditures and Changes in Fund Balance - Budget and Actual - General Fund.....	49
Statement of Revenues, Expenditures and Changes in Fund Balance - Budget and Actual - Special Revenue Fund.....	50

Schedule of Expenditures of Federal Awards.....	51 - 52
--	----------------

Notes to Schedule of Expenditures of Federal Awards.....	53
---	-----------

Schedule of Findings and Questioned Costs.....	54
---	-----------

Schedule of Prior Year Findings.....	55
---	-----------

Report on Internal Control over Financial Reporting and Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance with Government Auditing Standards.....	56 - 57
---	----------------

Report on Compliance with Requirements Applicable to Each Major Program and on Internal Control over Compliance in Accordance with OMB Circular A-133.....	58 - 59
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Management Letter Comments.....	61 - 74
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INDEPENDENT AUDITOR'S REPORT

Members of the Board of Education
Scott County School District
Georgetown, Kentucky

We have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the Scott County School District (the "District") as of June 30, 2008 and for the year then ended which collectively comprise the District's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the District's management. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States; the provisions of Office of Management and Budget Circular A-133, Audits of States, Local Governments, and Non-Profit Organizations, and the audit requirements prescribed by the Kentucky State Committee for School District Audits in Appendix I of the Independent Auditor's Contract - General Audit Requirements, Appendix II of the Independent Auditor's Contract - State Audit Requirements, and Appendix III of the Independent Auditor's Contract - Electronic Submission. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial positions of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the Scott County School District as of June 30, 2008 and the respective changes in its financial position and cash flows, where applicable, for the year then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with Government Auditing Standards, we have also issued our report dated November 13, 2008 on our consideration of Scott County School District's internal control structure and on our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with Government Auditing Standards and should be read in conjunction with this report in considering the results of our audits.

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The Management's Discussion and Analysis and Budgetary Comparison Information on pages 3 through 11 and pages 49 through 50 are not a required part of the basic financial statements but are supplementary information required by the Governmental Accounting Standards Board. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the supplementary information. However, we did not audit the information and express no opinion on it.

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the District's basic financial statements. The additional information shown on pages 42 through 48 are presented for the purposes of additional analysis and is not a required part of the basic financial statements. The accompanying schedule of expenditures of federal awards on pages 51 through 53 is presented for purposes of additional analysis as required by U.S. Office of Management and Budget Circular A-133, Audits of States, Local Governments, and Non-Profit Organizations, and is also not a required part of the basic financial statements of Scott County School District. The combining nonmajor fund financial statements and the schedule of federal expenditures have been subjected to the auditing procedures applied in the audit of the financial statements and, in our opinion, are fairly stated in all material respects in relation to the financial statements taken as a whole.

Manfred E. Bruehl, CPA

Lexington, Kentucky
November 13, 2008

SCOTT COUNTY PUBLIC SCHOOL DISTRICT – GEORGETOWN, KY
MANAGEMENT'S DISCUSSION AND ANALYSIS (MD&A)
YEAR ENDED June 30, 2008

As the management of the Scott County School District (District), we offer readers of the District's financial statements this narrative overview and analysis of the financial activities of the District for the fiscal year ended June 30, 2008. We encourage readers to consider the information presented here in conjunction with additional information found within the body of the audit. This is the sixth year the District has prepared the annual financial report using the new financial reporting model. The reporting model is a combination of both government-wide financial statements and fund financial statements.

FINANCIAL HIGHLIGHTS

- The ending cash, cash equivalents and investments balance for the District's governmental funds was \$19.7 million in 2008 and \$26.8 million in 2007. Construction funds generated from school construction revenue bonds decreased by \$6.7 million as a result of construction on Georgetown Middle School, Scott County Ninth Grade School, Scott County Middle School and Scott County Pre-School.
- Total general fund revenue increased by 7.17% in 2008. Revenue from local sources increased by 3.00%, direct state revenue increased by 11.11% and state on-behalf revenues increased 7.52%.
- Among major funds, the general fund had \$53.3 million revenue, which primarily consisted of local property, local occupational license taxes, utility and motor vehicle taxes, federal programs (ROTC), state funding (SEEK program) and "on-behalf" revenues (STATE). Expenditures totaled \$53.8 million for fiscal year 2008.
- On November 11, 2003, the Board approved an "Inter-local Cooperation Agreement" that called for the creation of the Georgetown/Scott County Revenue Commission to administer the collection of the Occupational and Net Profits taxes for the City of Georgetown, the Scott County Fiscal Court and the Scott County Board of Education. The Georgetown/Scott County Revenue Commission, a nonstock, nonprofit corporation was organized pursuant to the Kentucky Nonprofit Corporation Act, KRS 273.161.
- On August 12, 2005, the Board approved the offer to purchase 102.765 acres for \$2,121,856 for the future site of a new Career & Technology Center for Scott County High School, which will ultimately become a second high school site for Scott County. This acquisition was funded from general fund, \$1,199,694; capital outlay fund, \$125,822; and building fund, \$796,340.
- On January 10, 2006, the Board approved the acquisition of 15.172 acres for \$603,988 plus sewer agreement fees of \$27,449 for the future site of an Elementary School. This acquisition was funded from general fund, \$179,113; and capital outlay fund \$452,324.
- On February 29, 2007, the District purchased 21.34 acres, including an existing structure for \$1,813,242 for use as an Early Childhood Center. This acquisition was funded by the issue of \$8.2 million of School Building Revenue Bonds in January 2007 and was approved by the Board on May 9, 2006.
- On August 8, 2006, the Board approved a revision to the Field House Project budget by adding \$656,010 from capital outlay funds, \$90,562 from building fund and \$200,000 as provided by House Bill 380 of the 2006 session of the Kentucky General Assembly.
- On January 9, 2007, the Board approved an Educational Broadband Service Lease Agreement

with Nextel Spectrum Acquisition Corporation, a wholly-owned indirect subsidiary of Sprint Nextel Corporation, that will provide a one-time payment to the Board of \$600,000, plus \$6,000 per month in years 1 through 5, \$7,000 per month in years 6 through 15, \$8,000 per month in years 16 through 20, \$9,000 per month in years 21 through 25, and \$10,000 per month in years 26 through 30. The Board restricted the use of these funds for equipment for the Scott County Career Technical and Performing Arts Center.

- On January 29, 2007, the Board issued \$8.2 million in School Building Revenue bonds to finance acquisition and renovation of the new Scott County Pre-School and renovations at Scott County Ninth Grade School and Scott County Middle School.
- On March 13, 2007, the Board issued \$12.4 million in School Building Revenue bonds to finance renovations at Georgetown Middle School.
- On June 12, 2007, the Board approved a contract for architectural design services with Sherman Carter Barnhart Architects of Lexington, Kentucky, to design Phase I of the Scott County Career Technical and performing Arts Center.
- On December 17, 2007, the Board approved issuance of \$7.65 million in School Building Revenue bonds to finance additions and renovations to the Scott County Pre-School and Scott County Middle School.
- On February 12, 2008, the Board approved issuance of \$1.83 million in School Building Revenue bonds to refund Scott County District School Building Revenue bonds series 1998, issued April 1, 1998.
- Bonds are issued as the District constructs and renovates facilities consistent with a long-range facilities plan that is established with community input and in keeping with Kentucky Department of Education (KDE) stringent compliance regulations. The District's total outstanding principal of School Building Revenue Bonds at June 30, 2008 is \$95,770,000 and represents a net increase of \$4,125,000.

OVERVIEW OF FINANCIAL STATEMENTS

This discussion and analysis is intended to serve as an introduction to the District's basic financial statements. The District's basic financial statements comprise three components: 1) government-wide financial statements, 2) fund financial statements, and 3) notes to the financial statements. This report also contains other supplementary information in addition to the basic financial statements themselves.

Government-wide financial statements

The government-wide financial statements are designed to provide readers with a broad overview of the District's finances, in a manner similar to a private-sector business.

The statement of net assets presents information on all of the District's assets and liabilities, with the difference between the two reported as net assets. Over time, increases or decreases in net assets may serve as a useful indicator of whether the financial position of the District is improving or deteriorating.

The statement of activities presents information showing how the District's net assets changed during the most recent fiscal year. All changes in net assets are reported as soon as the underlying event giving rise to the change occurs, regardless of the timing of related cash flows. Thus, revenues and expenses are reported in this statement for some items that will only result in cash flows in future fiscal periods.

The government-wide financial statements outline functions of the District that are principally supported by property taxes and intergovernmental revenues (governmental activities). The governmental activities of the District include instruction, support services, operation and maintenance of plant, student transportation and operation of non-instructional services. Fixed assets and related debt are also supported by taxes and intergovernmental revenues.

The government-wide financial statements can be found on pages 12 and 13 of this report.

Fund financial statements

A fund is a grouping of related accounts that is used to maintain control over resources that have been segregated for specific activities or objectives. This is a state mandated uniform system and chart of accounts for all Kentucky public school districts utilizing MUNIS administrative software. The District uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements. All of the funds of the District can be divided into three categories: governmental, proprietary, and fiduciary funds. Proprietary funds include vending and food service operations. Fiduciary funds are trust funds established by benefactors to aid in student education, welfare, and teacher support.

The basic governmental fund financial statements can be found on pages 14 through 23 of this report.

Notes to the financial statements

The notes provide additional information that is essential to a full understanding of the data provided in the government-wide and fund financial statements. The notes to the financial statements can be found on pages 24 through 40 of this report.

GOVERNMENT-WIDE FINANCIAL ANALYSIS

Net assets may serve over time as a useful indicator of a government's financial position. In the case of the District, assets exceeded liabilities by \$32.9 million as of June 30, 2008.

The largest portion of the District's net assets is the product of its investment in capital assets (e.g., land and improvements, buildings and improvements, vehicles, furniture and equipment and construction in progress), less any related debt used to acquire those assets that is still outstanding. The District uses these capital assets to provide services to its students; consequently, these assets are not available for future spending. Although the District's investment in its capital assets is reported net of related debt, it should be noted that the resources needed to repay this debt must be provided from other sources, since the capital assets themselves cannot be used to liquidate these liabilities.

The District's financial position is the product of several financial transactions including the net results of activities, the acquisition and payment of debt, the acquisition and disposal of capital assets, and the depreciation of capital assets.

Net Assets for the year ended June 30, 2008

This is the sixth year that the District is following GASB 34 and comparing assets, liabilities and net assets. Government-wide net assets for 2008 compared to 2007 are as follows:

	<u>2008</u>	<u>2007</u>
Current Assets	\$ 22,219,268	\$ 29,146,018
Noncurrent Assets	<u>116,414,994</u>	<u>103,001,866</u>
Total Assets	<u>\$ 138,634,262</u>	<u>\$ 132,147,884</u>
Current liabilities	\$ 12,167,029	\$ 12,102,580
Noncurrent liabilities	<u>93,533,651</u>	<u>88,803,196</u>
Total Liabilities	<u>\$ 105,700,680</u>	<u>\$ 100,905,776</u>

Net Assets			
Investment in capital assets (net of debt)	\$	19,127,942	\$ 10,713,650
Restricted		9,566,384	17,031,237
Unrestricted		<u>4,239,256</u>	<u>3,497,221</u>
Total Net Assets	\$	<u>32,933,582</u>	\$ <u>31,242,108</u>

- Current assets decreased by \$6,926,750. This decrease is the net result of decreases in the General Fund, Special Revenue Fund, Construction Fund, Debt Service Fund of \$7,226,064, and increases in Other Governmental Funds and Business Type Activities (Proprietary Fund) of \$299,314. The Construction Fund decrease of \$6,676,579 reflects the expenditure of Construction Fund revenues from the February 1, 2007 and April 1, 2007 School Building Revenue Bond issues.
- Non-current Assets increased by \$13,413,128. This is primarily associated with the purchase, construction and renovation of facilities.
- Current liabilities increased by \$64,449. This increase is primarily the net result of increases in interest payable of \$73,409, General Fund accounts payable of \$492,761, current portion of accrued sick and vacation leave of \$43,569, current portion of capital lease obligations of \$85,594. These results net with decreases in General Fund deferred revenue of \$230,699, accrued payroll and related expenses of \$30,813 and Construction Fund accounts payable of \$367,042 to arrive at the net increase.
- Non-current liabilities increased by \$4,730,455, with increases in the non-current portion of long-term obligations of \$4,100,000, non-current portion of capital lease obligations of \$601,800 and increases in accrued sick and vacation leave of \$28,655.
- Net assets increased by \$1,691,474. The change in investment in capital assets (net of debt) is illustrated in Note E – Capital Assets, page 32.

Comments on Budget Comparisons

- The District's total Governmental fund revenues, net of inter-fund transfers, were \$68.6 million in 2008.
- The General Fund budget as compared to actual revenue and actual expenditures varied from line item to line item. A variance comparison is presented on page 49 between the fiscal budgeted amounts and the actual amounts.
- General Fund revenues were budgeted at \$43,627,227 with an actual total of \$53,259,088 for a favorable variance of \$9,631,861. The Kentucky Department of Education has directed local school Districts not to include a budget allocation for "on-behalf" revenues. The favorable variance net of the "on-behalf" revenues is \$880,950.
- Property tax revenue includes favorable variances in omitted property tax of \$121,469, property tax discounts of \$39,661 and PSC real property tax of \$77,146. General real property tax, general property tax refund, delinquent tax, and penalty and interest on taxes have a net unfavorable variance of \$17,219.
- Motor Vehicle taxes are levied on motor vehicle assessed values as of January 1, each year, with collection of the tax overlapping two fiscal years. In fiscal 2007, motor vehicle taxes were budgeted at \$1,551,994 with actual collections of \$1,612,931. Based on the January 1, 2007 assessments, the fiscal 2008 budget was established at \$1,592,778 with actual collections of \$1,745,981, a favorable variance of \$153,203.

- The Scott County School District, as authorized under KRS 160.613 levies a 3% utility tax. Historically, the Scott County Board of Education is conservative in projecting budgeted revenues from this tax levy. In fiscal year 2007, utility tax receipts totaled \$3,517,905. The budget for fiscal 2008 totaled \$3,550,000 with actual collections totaling \$3,730,896.
- The Scott County School District, as authorized under KRS 160.593 levies an occupational license tax for schools as provided for in KRS 160.605 and KRS 160.607. This one-half of one percent (0.5%) occupational license tax is levied against salaries, wages, commissions, and other compensation of individuals for work done and services performed or rendered in Scott County, and on the net profits of all businesses, professions, or occupations from activities conducted in Scott County. Historically, the Scott County Board of Education is conservative in projecting budgeted revenues from this tax levy. In fiscal year 2007, occupational license tax receipts totaled \$5,781,832. The budget for fiscal year 2008 totaled \$4,694,955, with actual collections totaling \$5,172,135.
- The Kentucky Department of Education makes payment on behalf of school districts for matching contributions for employees covered under the Kentucky Teachers Retirement System (KTRS) and the Kentucky Public Employee Health and Life Insurance programs. These "on behalf" revenue and corresponding expenditures were not included in the Scott County School District's budgeted amounts. The "on behalf" payments included in actual revenues and expenditures are as follows:

	ACTUAL 2008	ACTUAL 2007
Revenues:		
State "on behalf" revenues	\$ 8,750,911	\$ 8,139,220
Total Revenues	<u>\$ 8,750,911</u>	<u>\$ 8,139,220</u>
Expenses:		
Instruction	\$ 6,135,982	\$ 5,583,828
Student Support Services	534,410	495,418
Instructional Staff	404,043	391,361
District Administration	49,144	39,820
School Administration	484,428	475,269
Business	81,477	78,751
Plant Operations	342,303	372,534
Student Transportation	517,753	475,423
Food Service Support	-	-
Facilities Acquisition and Construction	6,789	15,985
Community Support	194,582	210,831
Total Expenses	<u>\$ 8,750,911</u>	<u>\$ 8,139,220</u>

- Budgeted expenditures of \$49,653,755 included \$2,201,153 for contingencies. Actual expenditures totaled \$53,811,802 including \$8,750,911 for "on-behalf" payments. As with "on-behalf" revenue, "on-behalf" expenditures are not included as an allocation in the budget.
- The SCSD General Fund budget is controlled at the project level by budget coordinators. Each project may include more than one function area. The presented actual expenditures include actual payment of expense, plus account payables (amounts owed for goods received and service provided to SCSD) on June 30, 2008. In addition to the presented expenditures, the SCSD had outstanding \$558,158 in encumbrances. Encumbrances represent orders and commitments by SCSD for goods and services from the Fiscal 2008 budget
- Budget allocations to Site Based Decision Making Councils (SBDM) for salaries, supplies and programs totaled \$21,766,994. The Scott County Board of Education approves requests from SBDM Councils to carry any non-obligated allocation to the next fiscal year. This approved carry over at June 30, 2008 totaled \$252,909.
- As described in the Financial Highlights, the Board restricted the use of the funds from the lease agreement with Nextel Spectrum Acquisition Corporation to fund the purchase of equipment for the Scott County Career Technical and Performing Arts Center. This reserve at June 30, 2008 totaled \$579,732.
- The SCSD maintains an expense budget as a reserve for contingency. On June 30, 2008 this contingency reserve totaled \$2,201,153.
- The effect of the presented expenditures budget to actual variance is as follows:

	Variance Favorable/(Unfavorable)
Expenditure variance as presented	\$ (4,158,047)
Less: Encumbrances	558,158
SBDM carry-over allocation	252,909
SCSD contingency reserve	579,732
SCSD contingency reserve	2,201,153
Plus: On-behalf payments	<u>8,750,911</u>
Remaining favorable expenditure variance	<u>\$ 1,000,912</u>

The \$1,000,912 remainder of the favorable expenditure variance represents 1.86% of the Budgeted Expenditure Amounts for fiscal year 2008.

The following table presents a comparison of revenue and expenditures for governmental funds only for fiscal 2008 and 2007:

Revenues:	2008	2007
Local revenue sources	\$ 26,819,937	\$ 25,475,799
State revenue sources	29,675,500	26,706,933
On-behalf revenue (state)	9,022,551	8,407,656
Federal revenue sources	3,018,223	3,017,056
Other revenue	<u>73,639</u>	<u>7,363</u>
Total revenues	\$ <u>68,609,850</u>	\$ <u>63,614,807</u>
Expenditures:		
Instruction	\$ 38,413,067	\$ 34,795,321
Student Support Services	3,289,983	2,828,218
Instructional Support	3,134,521	2,856,459
District Administration	1,165,674	942,991
School Administration	3,205,853	2,970,873

Business Support	1,052,411	891,952
Plant Operations and Maintenance	5,159,031	4,803,758
Student Transportation	3,693,276	3,251,606
Facilities Construction	15,763,796	12,478,910
Community Support	966,715	927,089
Debt Service	9,367,698	6,321,750
Other	10,124	21,593
Total expenses	\$ 85,222,149	\$ 73,090,520
Expense in excess of Revenue	\$ (16,612,299)	\$ (9,475,713)
Other Financing Sources:		
Proceeds from sale of bonds	\$ 9,485,000	\$ 20,600,000
Proceeds from sale of fixed assets	44,676	46,444
Operating transfers (net)	(19,740)	(19,740)
	\$ 9,509,936	\$ 20,626,704
Excess deficit of revenue and other financing sources over expenditures and other financing uses:	\$ (7,102,363)	\$ 11,150,991

- Expenditures for **2008** and **2007** by fund group are summarized as follows:

	2008	2007
General Fund	\$ 53,811,802	\$ 48,594,500
Special Revenue Fund	6,630,561	6,063,109
Construction Fund	15,308,389	12,116,389
Debt Service Fund	9,319,766	6,316,522
Other Governmental Funds	151,631	-
Total	\$ 85,222,149	\$ 73,090,520

- Governmental Fund expenditures increased \$12,131,629; or 16.60% in 2008. The General Fund expenditure increase of \$5,217,302 reflects a \$5,113,143 increase in salary and salary-related costs, including a \$611,691 increase in "on-behalf" payments. Certified employees were provided an annual salary increase of \$3,000, based on an employment of 185 days. Classified employees were provided an annual salary increase of 5.0% with a maximum of \$2,500. These salary increases and two additional instructional days were mandated by the Kentucky General Assembly in addition to experience and educational (step and rank) increases. Expenditures for natural gas and electricity increased \$114,115 or 10.2% and gasoline and diesel fuel expenditures increased \$180,549 or 44.5%. In 2008, the District purchased property insurance from the Capital Outlay Fund, which represents a \$126,566 decrease as compared to 2007, when the property insurance was purchased from the General Fund.
- The Special Revenue Fund expenditures increase of \$567,452 reflects increased expenditures in the Title I program of \$139,867, \$313,003 in the KERA Pre-School program and \$79,271 in staffing Memorandum of Agreements with the Kentucky Department of Education. The Construction Fund increase of \$3,192,000 reflects the expenditure of revenues from the February 1, 2007 and April 1, 2007 School Building Revenue Bond issues. The Debt Service Fund increase of \$3,003,244 reflects the \$1,835,000 expenditures relating to the refunding of the Scott County District School Building Revenue Bonds series 1998, and increased principal and interest payments pertaining to School Building Revenue Bonds issued in 2007. Other Governmental Funds increased \$151,631. The \$151,631 increase in Other Governmental Funds represents property insurance premium approved to be paid from Capital Outlay Funds (SEEK) in 2008. This premium was paid from the General Fund in 2007.

Changes in presented expenditures by function:

- Instruction expenditures increased by 10.40%, which is reflective of the previously noted salary increases, additional instructional days, increased staffing to meet enrollment increases and on-behalf payments by the Kentucky Department of Education.
- Student Support Services increased by 16.33%, which is reflective of the previously noted salary increases, on-behalf payments, additional instructional days, and an additional guidance counselor for Scott County High School.
- Instructional Staff Support Services increased by 9.74%, which is reflective of the previously noted salary increases, on-behalf payments, additional instructional days, an additional instructor for the gifted program, as well as the addition of the new Director of Secondary Education position.
- District Administrative Support Services increased by 23.62%, reflective of the previously noted salary increases and "on-behalf" payments. Additional expenditures were incurred pertaining to the search for a new Superintendent in 2008 and increased tax collection costs.
- School Administrative Support Services increased 7.91%, reflective of the previously noted salary increases and "on-behalf" payments.
- Business Support Services increased 17.9%, which is reflective of the previously noted salary increases, "on-behalf" payments, and additional payroll staff member, increased staff recruitment expenditures, and the purchase of administrative software.
- Plant Operations and Maintenance increased 7.40%, reflective of the previously noted salary increases, "on-behalf" payments, and increased natural gas and electrical costs. Increased cost of maintenance and cleaning materials and supplies also contributed to increases in 2008.
- Student Transportation Support Services increased by 13.58%, which is reflective of the previously noted salary increases, "on-behalf" payments, additional instructional (transportation) days, and increased fuel cost.
- Facility Construction increased by 26.32% and is attributed to the construction and renovation at Scott County Middle School, Georgetown Middle School, and Scott county Pre-School.
- Community Service activities increased 4.28%, which is reflective of the previously noted salary increases and "on-behalf" payments.

BUDGETARY IMPLICATIONS

In Kentucky, the public school fiscal year is July 1-June 30; other programs, i.e. some federal programs operate on a different fiscal calendar, but are reflected in the district overall budget. The District adopted a budget for 2008 with \$2,201,153 in contingency or 4.57% of the total general fund budget. Significant Board action relevant to the District's finances includes the addition to and renovation of Scott County Middle School, Georgetown Middle School, Scott County Pre-School facility and construction of an athletic field house for Scott County High School. Construction of the Scott County Career Technical and Performing Arts Center is planned for 2009.

The Scott County School District has experienced an average annual growth in student enrollment of 293 students or 4.5% annually since 2003. To accommodate this increase in enrollment, the District has been building new schools and renovating and expanding existing schools. These new and expanded facilities come with increased cost for utilities; maintenance of grounds and facilities, and additional personnel costs (instructional, administrative and support staffing.) New schools also require funds for the purchase of computers, library books, instructional materials and equipment that can only be paid from the General Fund.

In the past, these costs have been offset by increases in State funding (SEEK), increases in business and residential property subject to local taxation, and increases in utility, occupational, and net profits tax revenues. However, as with all Kentucky school districts, revenue from property tax is limited to a 4% annual growth on previous year existing property.

Effective in fiscal year 2009, the Board anticipates a decrease in revenues of \$988,000 relating to the expiration of an "in lieu of" property tax agreement with a local taxpayer on the value of their manufacturing facility (See Note T). A second "in lieu of" tax agreement will expire in fiscal year 2009, and is projected to decrease revenues in fiscal year 2010 by \$200,000.

These growth related costs, along with the continuing need to increase student capacity and limited State revenue growth, loss of revenue from the "in lieu of" property tax agreements, and the economic downturn will create budgetary challenges for the Scott County School District.

With the careful planning and monitoring of District finances, Scott County Public Schools' goal is to continue to provide a quality education for our students and a secure financial future for the school district.

Questions regarding this report should be directed to the Superintendent (502) 863-3663 or to Randall Cutright, Director of Business and Finance (502) 570-3030 or by mail at 2168 Frankfort Pike, Post Office Box 578, Georgetown, Kentucky 40324.

SCOTT COUNTY SCHOOL DISTRICT

STATEMENT OF NET ASSETS

June 30, 2008

	Governmental Activities	Business Type Activities	Total
ASSETS			
Current assets			
Cash and cash equivalents	\$ 16,717,435	\$ 444,237	\$ 17,161,672
Inventory	-	85,324	85,324
Prepaid expenses	-	47,979	47,979
Accounts receivable			
Taxes - current	1,232,290	-	1,232,290
Taxes - delinquent	2,214	-	2,214
Intergovernmental - State	31,013	-	31,013
Intergovernmental - Federal	172,046	195,290	367,336
Other receivables	266,510	-	266,510
Notes receivable - short term portion	45,919	-	45,919
Investments	2,979,011	-	2,979,011
Total current assets	21,446,438	772,830	22,219,268
Noncurrent assets			
Capital assets, net	95,103,896	840,151	95,944,047
Nondepreciable capital assets	19,951,532	-	19,951,532
Bond issue costs	519,415	-	519,415
Total noncurrent assets	115,574,843	840,151	116,414,994
Total assets	\$ 137,021,281	\$ 1,612,981	\$ 138,634,262
LIABILITIES			
Current liabilities			
Accounts payable	\$ 3,179,123	\$ 27,386	\$ 3,206,509
Accrued payroll and related expenses	322,742	-	322,742
Interest payable	1,364,419	-	1,364,419
Current portion of long term liabilities	3,640,000	-	3,640,000
Current portion of capital lease obligations	111,557	-	111,557
Current portion of accrued sick leave and accrued vacation	852,298	-	852,298
Deferred revenues	2,669,504	-	2,669,504
Total current liabilities	12,139,643	27,386	12,167,029
Noncurrent liabilities			
Noncurrent portion of long term liabilities	92,130,000	-	92,130,000
Noncurrent portion of capital lease obligations	886,080	-	886,080
Noncurrent portion of accrued sick leave	517,571	-	517,571
Total noncurrent liabilities	93,533,651	-	93,533,651
Total liabilities	\$ 105,673,294	\$ 27,386	\$ 105,700,680
NET ASSETS			
Invested in capital assets, net of related debt	\$ 18,287,791	\$ 840,151	\$ 19,127,942
Restricted for:			
Capital projects	8,509,617	-	8,509,617
Other purposes (nonexpendable)	1,056,767	-	1,056,767
Unrestricted	3,493,812	745,444	4,239,256
Total net assets	\$ 31,347,987	\$ 1,585,595	\$ 32,933,582

See accompanying independent auditor's report
and notes to financial statements.

SCOTT COUNTY SCHOOL DISTRICT
STATEMENT OF ACTIVITIES
Year ended June 30, 2008

Functions/Programs							
Governmental Activities:							
Instruction	\$ 41,400,873	\$ 9,036,683	\$ 9,065,265	\$ -	\$ (23,298,925)	\$ -	\$ (23,298,925)
Support services							
Student	3,313,302	-	-	-	(3,313,302)	-	(3,313,302)
Instruction staff	3,195,096	-	-	-	(3,195,096)	-	(3,195,096)
District administration	1,196,173	-	-	-	(1,196,173)	-	(1,196,173)
School administration	3,232,871	-	-	-	(3,232,871)	-	(3,232,871)
Business	1,051,096	-	-	-	(1,051,096)	-	(1,051,096)
Plant operation and maintenance	5,124,929	709,855	-	-	(4,415,074)	-	(4,415,074)
Student transportation	3,932,018	-	-	-	(3,932,018)	-	(3,932,018)
Central office	9,124	-	-	-	(9,124)	-	(9,124)
Community service activities	967,025	-	38,195	-	(928,830)	-	(928,830)
Debt service	3,816,166	-	-	-	(3,816,166)	-	(3,816,166)
Other expenditures	20,389	-	-	-	(20,389)	-	(20,389)
Total governmental activities	67,259,062	9,746,538	9,103,460	-	(48,409,064)	-	(48,409,064)
Business-Type Activities							
Food service and summer feeding	3,320,657	2,127,070	1,384,810	198,858	-	390,081	390,081
Other	94,555	53,900	13,386	-	-	(27,269)	(27,269)
Total business-type activities	3,415,212	2,180,970	1,398,196	198,858	-	362,812	362,812
Total primary government	\$ 70,674,274	\$ 11,927,508	\$ 10,501,656	\$ 198,858	\$ (48,409,064)	\$ 362,812	\$ (48,046,252)

General Revenues:

Taxes:							
Property taxes	\$ 12,897,112	\$ -	\$ -	\$ 12,897,112			
Motor vehicle tax	1,745,981			1,745,981			
Utility tax	3,687,785			3,687,785			
Occupational and license taxes	5,172,135			5,172,135			
Revenue in lieu of taxes	1,227,496			1,227,496			
State and formula grants	23,580,874			23,580,874			
Investment earnings	1,155,331		27,287	1,182,618			
Other income	33,910		-	33,910			
Losses on sale of fixed assets	(39,505)		(708)	(40,213)			
Net transfers in (out)	(19,740)		19,740	-			
Miscellaneous	250,028		-	250,028			
Total general revenues and transfers	<u>49,691,407</u>		<u>46,319</u>	<u>49,737,726</u>			
Change in net assets	1,282,343		409,131	1,691,474			
Net assets, beginning of year	30,065,644		1,176,464	31,242,108			
Net assets, end of year	<u>\$ 31,347,987</u>		<u>\$ 1,585,595</u>	<u>\$ 32,933,582</u>			

See accompanying independent auditor's report
and notes to financial statements.

SCOTT COUNTY SCHOOL DISTRICT
BALANCE SHEET
GOVERNMENTAL FUNDS

June 30, 2008

	General Fund	Special Revenue	Construction Fund	Debt Service Fund	Other Governmental Funds	Total Governmental Funds
Assets and resources						
Cash and cash equivalents	\$ 6,942,609	\$ 461,860	\$ 8,875,216	\$ 7,562	\$ 430,188	\$ 16,717,435
Accounts receivable						
Taxes - current	1,232,290	-	-	-	-	1,232,290
Taxes - delinquent	2,214	-	-	-	-	2,214
Intergovernmental - State	-	31,013	-	-	-	31,013
Intergovernmental - Indirect Federal	4,991	-	-	-	-	4,991
Intergovernmental - Direct Federal	-	167,055	-	-	-	167,055
Other receivables	213,730	20,677	32,103	-	-	266,510
Notes receivable	45,919	-	-	-	-	45,919
Investments	1,250,000	-	1,729,011	-	-	2,979,011
Total assets and resources	\$ 9,691,753	\$ 680,605	\$ 10,636,330	\$ 7,562	\$ 430,188	\$ 21,446,438
Liabilities and fund balances						
Liabilities						
Accounts payable	\$ 1,007,426	\$ 44,984	\$ 2,126,713	\$ -	\$ -	\$ 3,179,123
Accrued payroll and related expenses	322,742	-	-	-	-	322,742
Current portion of accrued sick leave	517,571	-	-	-	-	517,571
Deferred revenue	2,033,883	635,621	-	-	-	2,669,504
Accrued vacation	334,727	-	-	-	-	334,727
Total liabilities	4,216,349	680,605	2,126,713	-	-	7,023,667
Fund balances						
Reserved						
Facility Improvement	-	-	948,055	-	-	948,055
Encumbrances	558,158	-	7,561,562	-	-	8,119,720
Other	1,042,629	-	-	-	-	1,042,629
Unreserved						
General fund	3,874,617	-	-	-	-	3,874,617
Building funds	-	-	-	-	416,050	416,050
Debt service funds	-	-	-	7,562	5,452	13,014
Permanent funds	-	-	-	-	8,686	8,686
Total fund balances	5,475,404	-	8,509,617	7,562	430,188	14,422,771
Total liabilities and fund balances	\$ 9,691,753	\$ 680,605	\$ 10,636,330	\$ 7,562	\$ 430,188	\$ 21,446,438

See accompanying independent auditor's report
and notes to financial statements.

SCOTT COUNTY SCHOOL DISTRICT

RECONCILIATION OF THE BALANCE SHEET - GOVERNMENTAL FUNDS TO THE STATEMENT OF NET ASSETS

June 30, 2008

Total fund balance per fund financial statements	\$ 14,422,771
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Amounts reported for governmental activities in the statement of net assets are different because:

Capital assets are not reported in the fund financial statement because they are not current financial resources, but they are reported in the statement of net assets.	115,055,428
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Certain assets are not reported in the fund financial statements because they are not available to pay current period expenditures, but they are reported in the statement of net assets.	519,415
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Certain liabilities (such as bonds payable, the long-term portion of accrued sick leave, and accrued interest) are not reported in this fund financial statement because they are not due and payable but they are presented in the statement of net assets.	<u>(98,649,627)</u>
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Net assets of governmental activities	\$ <u>31,347,987</u>
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See accompanying independent auditor's report and notes to financial statements.

SCOTT COUNTY SCHOOL DISTRICT

STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES - GOVERNMENTAL FUNDS

Year ended June 30, 2008

	General Fund	Special Revenue	Construction Fund	Debt Service Fund	Other Governmental Funds	Total Governmental Funds
Revenues						
From local sources						
Taxes						
Property taxes	\$ 7,523,050	\$ -	\$ -	\$ -	\$ 5,374,062	\$ 12,897,112
Motor vehicle taxes	1,745,981	-	-	-	-	1,745,981
Utility taxes	3,730,896	-	-	-	-	3,730,896
Occupational license taxes	5,172,135	-	-	-	-	5,172,135
Tuition and fees	5,301	2,450	-	-	-	7,751
Earnings on investments	621,532	10,668	504,043	3,763	15,325	1,155,331
Other local revenues	2,005,215	105,516	-	-	-	2,110,731
State sources						
SEEK	23,517,333	-	-	-	-	23,517,333
Other	111,126	3,254,608	200,000	1,151,529	1,440,904	6,158,167
Federal - indirect	-	2,950,361	-	-	-	2,950,361
Federal - direct	67,862	-	-	-	-	67,862
Other revenues	7,746	-	64,393	-	1,500	73,639
On-behalf revenues	8,750,911	271,640	-	-	-	9,022,551
Total revenues	53,259,088	6,595,243	768,436	1,155,292	6,831,791	68,609,850
Expenditures						
Instruction	32,942,225	5,470,842	-	-	-	38,413,067
Support services						
Student	3,266,290	23,693	-	-	-	3,289,983
Instruction staff	2,729,757	404,764	-	-	-	3,134,521
District administration	1,114,523	51,151	-	-	-	1,165,674
School administration	3,205,853	-	-	-	-	3,205,853
Business	1,052,411	-	-	-	-	1,052,411
Plant operation and maintenance	5,008,400	-	-	-	150,631	5,159,031
Student transportation	3,507,752	185,524	-	-	-	3,693,276
Central office	9,124	-	-	-	-	9,124
Construction services	-	-	-	-	1,000	1,000
Facilities acquisition and construction	455,407	-	15,308,389	-	-	15,763,796
Community service activities	472,128	494,587	-	-	-	966,715
Debt service	47,932	-	-	9,319,766	-	9,367,698
Total expenditures	53,811,802	6,630,561	15,308,389	9,319,766	151,631	85,222,149
Excess (deficit) of revenues over expenditures	(552,714)	(35,318)	(14,539,953)	(8,164,474)	6,680,160	(16,612,299)

See accompanying independent auditor's report and notes to financial statements.

SCOTT COUNTY SCHOOL DISTRICT

STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE - GOVERNMENTAL FUNDS - CONTINUED

Year ended June 30, 2008

	General Fund	Special Revenue	Construction Fund	Debt Service Fund	Other Governmental Funds	Total Governmental Funds
Other financing sources (uses)						
Proceeds from sale of bonds	-	-	7,650,000	1,835,000	-	9,485,000
Proceeds from sale of fixed assets	44,676	-	-	-	-	44,676
Operating transfers in	64,803	85,121	585,335	8,066,377	-	8,801,636
Operating transfers out	(314,520)	(49,803)	(4,919)	(1,793,251)	(6,658,883)	(8,821,376)
Total other financing sources (uses)	<u>(205,041)</u>	<u>35,318</u>	<u>8,230,416</u>	<u>8,108,126</u>	<u>(6,658,883)</u>	<u>9,509,936</u>
Excess (deficit) of revenues and other financing sources over expenditures and other financing uses	(757,755)	-	(6,309,537)	(56,348)	21,277	(7,102,363)
Fund balance, June 30, 2007	<u>6,233,159</u>	-	<u>14,819,154</u>	<u>63,910</u>	<u>408,911</u>	<u>21,525,134</u>
Fund balance, June 30, 2008	<u>\$ 5,475,404</u>	<u>\$ -</u>	<u>\$ 8,509,617</u>	<u>\$ 7,562</u>	<u>\$ 430,188</u>	<u>\$ 14,422,771</u>

See accompanying independent auditor's report
and notes to financial statements.

SCOTT COUNTY SCHOOL DISTRICT

RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES OF GOVERNMENTAL FUNDS TO THE STATEMENT OF ACTIVITIES

June 30, 2008

Net change in total fund balances per fund financial statements	\$ (7,102,363)
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Amounts reported for governmental activities in the statement of activities are different because:

Capital outlays are reported as expenditures in this fund financial statement because they use current financial resources, but they are presented as assets in the statement of activities and depreciated over their estimated economic lives. The difference is the amount by which capital outlays exceeds depreciation for the year.	13,132,994
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Bond accrued interest, capital lease payments and bond payments are recognized as expenditures of current financial resources in the fund financial statement but are reductions of liabilities in the statement of net assets.	(4,677,628)
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Bond issuance costs are recognized as expenditures of current financial resources in the fund financial statement but are capitalized and amortized in the statement of activities. This amount is in the current year amortization expense.	(20,389)
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Gains and losses are not presented in this financial statement because they do not provide or use current financial resources, but they are presented in the statement of activities.	<u>(50,271)</u>
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Change in net assets of governmental activities	\$ <u><u>1,282,343</u></u>
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See accompanying independent auditor's report and notes to financial statements.

SCOTT COUNTY SCHOOL DISTRICT

STATEMENT OF NET ASSETS

PROPRIETARY FUNDS

June 30, 2008

	Food Service and Summer Feeding Fund	Other Enterprise Fund	Total
ASSETS			
Current assets			
Cash and cash equivalents	\$ 428,655	\$ 15,582	\$ 444,237
Inventory	85,324	-	85,324
Prepaid expenses	47,979	-	47,979
Accounts receivable			
Intergovernmental - Direct Federal	<u>195,290</u>	<u>-</u>	<u>195,290</u>
Total current assets	<u>757,248</u>	<u>15,582</u>	<u>772,830</u>
Noncurrent assets			
Capital assets	1,749,464	-	1,749,464
Less: accumulated depreciation	<u>(909,313)</u>	<u>-</u>	<u>(909,313)</u>
Total noncurrent assets	<u>840,151</u>	<u>-</u>	<u>840,151</u>
Total assets	<u>\$ 1,597,399</u>	<u>\$ 15,582</u>	<u>\$ 1,612,981</u>
LIABILITIES			
Current liabilities			
Accounts payable	\$ <u>25,770</u>	\$ <u>1,616</u>	\$ <u>27,386</u>
Total liabilities	<u>25,770</u>	<u>1,616</u>	<u>27,386</u>
NET ASSETS			
Invested in capital assets, net of related debt	840,151	-	840,151
Unrestricted	<u>731,478</u>	<u>13,966</u>	<u>745,444</u>
Total net assets	<u>\$ 1,571,629</u>	<u>\$ 13,966</u>	<u>\$ 1,585,595</u>

See accompanying independent auditor's report
and notes to financial statements.

SCOTT COUNTY SCHOOL DISTRICT**STATEMENT OF REVENUES, EXPENSES AND CHANGES IN NET ASSETS****PROPRIETARY FUNDS**

Year Ended June 30, 2008

	<u>Food Service and Summer Feeding Fund</u>	<u>Other Enterprise Fund</u>	<u>Total</u>
Operating revenues			
Lunchroom sales	\$ 1,787,293	\$ -	\$ 1,787,293
Other operating revenues	<u>-</u>	<u>44,039</u>	<u>44,039</u>
Total operating revenues	<u>1,787,293</u>	<u>44,039</u>	<u>1,831,332</u>
Operating expenses			
Salaries and wages	1,720,186	91,876	1,812,062
Materials and supplies	1,488,135	2,333	1,490,468
Depreciation	101,457	-	101,457
Other operating expenses	<u>10,879</u>	<u>346</u>	<u>11,225</u>
Total operating expenses	<u>3,320,657</u>	<u>94,555</u>	<u>3,415,212</u>
Operating loss	(1,533,364)	(50,516)	(1,583,880)
Non-operating revenues (expenses)			
Federal grants	1,348,911	-	1,348,911
Donated commodities	198,858	-	198,858
On-behalf revenues	339,777	9,861	349,638
State grants	35,899	13,386	49,285
Interest income	27,287	-	27,287
Loss on disposal of fixed assets	(708)	-	(708)
Transfers in (out)	<u>(15,000)</u>	<u>34,740</u>	<u>19,740</u>
Total non-operating revenues	<u>1,935,024</u>	<u>57,987</u>	<u>1,993,011</u>
Net income	401,660	7,471	409,131
Net assets, beginning of year	<u>1,169,969</u>	<u>6,495</u>	<u>1,176,464</u>
Net assets, end of year	<u>\$ 1,571,629</u>	<u>\$ 13,966</u>	<u>\$ 1,585,595</u>

See accompanying independent auditor's report
and notes to financial statements.

SCOTT COUNTY SCHOOL DISTRICT

STATEMENT OF CASH FLOWS

PROPRIETARY FUNDS

Year Ended June 30, 2008

Cash Flows From Operating Activities

Cash received from:

Lunchroom sales	\$ 1,772,415
Governmental grants	1,398,196
On-behalf revenue	349,638
Other activities	44,039

Cash paid for:

Employees	(1,812,062)
Supplies	(1,290,641)
Other activities	<u>(59,204)</u>

Net cash provided by operating activities 402,381

Cash Flows from Non-Capital Financing Activities

Transfers 19,740

Cash Flows From Capital and Related Financing Activities

Purchases of capital assets (231,128)

Cash Flows From Investing Activities

Receipt of interest income 27,287

Net increase in cash and cash equivalents 218,280

Balance, beginning of year 225,957

Balance, end of year \$ 444,237

Reconciliation of net income to net cash provided by operating activities:

Net income \$ 409,131

Adjustments to reconcile net income to net cash provided by operating activities:

Depreciation	101,457
Transfers	(19,740)
Loss on disposal of assets	708
Interest	(27,287)
Changes in assets and liabilities	
Receivables	(14,878)
Inventory	3,100
Prepaid deposit	(47,979)
Accounts payable	<u>(2,131)</u>

Net cash provided by operating activities \$ 402,381

Schedule of non-cash transactions:

Donated commodities received from federal government \$ 198,858

See accompanying independent auditor's report
and notes to financial statements.

SCOTT COUNTY SCHOOL DISTRICT**STATEMENT OF FIDUCIARY NET ASSETS**

June 30, 2008

	Private Purpose Trust Funds	Agency Fund
Assets		
Cash and cash equivalents	\$ 25,080	\$ 1,455,989
Accounts receivable	<u>-</u>	<u>24,153</u>
Total assets	<u>\$ 25,080</u>	<u>\$ 1,480,142</u>
Liabilities		
Accounts payable	\$ 500	\$ 222,518
Due to student groups	<u>-</u>	<u>1,257,624</u>
Total liabilities	<u>\$ 500</u>	<u>\$ 1,480,142</u>
Net assets held in trust	<u>\$ 24,580</u>	<u>\$ -</u>

See accompanying independent auditor's report
and notes to financial statements.

SCOTT COUNTY SCHOOL DISTRICT

STATEMENT OF CHANGES IN FIDUCIARY NET ASSETS

Year ended June 30, 2008

	<u>Private Purpose Trust Funds</u>
Additions	
Interest and investment revenue	\$ 915
Miscellaneous revenue	<u>10,529</u>
Total additions	<u>11,444</u>
Deductions	
Benefits paid	<u>9,540</u>
Change in net assets	1,904
Net assets, beginning of year	<u>22,676</u>
Net assets, end of year	<u>\$ 24,580</u>

See accompanying independent auditor's report
and notes to financial statements.

SCOTT COUNTY SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

Year Ended June 30, 2008

NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Reporting Entity

The Scott County Board of Education ("Board"), a five-member group, is the level of government which has oversight responsibilities over all activities related to public elementary and secondary school education within the jurisdiction of Scott County School District ("District"). The District receives funding from Local, State and Federal government sources and must comply with the commitment requirements of these funding source entities. However, the District is not included in any other governmental "reporting entity" as defined in Section 2100, Codification of Governmental Accounting and Financial Reporting Standards. Board members are elected by the public and have decision making authority, the power to designate management, the responsibility to develop policies which may influence operations and primary accountability for fiscal matters.

The District, for financial purposes, includes all of the funds and account groups relevant to the operation of the Scott County Board of Education. The financial statements presented herein do not include funds of groups and organizations, which although associated with the school system, have not originated within the Board itself such as Band Boosters, Parent-Teacher Associations, etc.

The financial statements of the District include those of separately administered organizations that are controlled by or are dependent on the Board. Control or dependence is determined on the basis of budget adoption, funding and appointment of the respective governing board.

Based on the foregoing criteria, the financial statements of the following organization are included in the accompanying financial statements:

Scott County Board of Education Finance Corporation - On November 8, 1988 the Board of Education resolved to authorize the establishment of the Scott County School District Finance Corporation (a non-profit, non-stock, public and charitable corporation organized under the School Bond Act and KRS 273 and KRS Section 58.180) (the "Corporation") as an agency of the District for financing the costs of school building facilities. The members of the Scott County Board of Education also comprise the Corporation's Board of Directors.

Basis of Presentation

Government-wide Financial Statements - The statement of net assets and the statement of activities display information about the District as a whole. These statements include the financial activities of the primary government, except for fiduciary funds. The statements distinguish between those activities of the District that are governmental and those that are considered business-type activities.

The government-wide statements are prepared using the economic resources measurement focus. This is the same approach used in the preparation of the proprietary fund financial statements, but differs from the manner in which governmental fund financial statements are prepared. Governmental fund financial statements therefore include reconciliations with brief explanations to better identify the relationship between the government-wide statements and the statements for governmental funds.

The government-wide statement of activities presents a comparison between direct expenses and program revenues for each segment of the business-type activities of the District and for each function or program of the District's governmental activities. Direct expenses are those that are specifically associated with a service, program or department and are therefore clearly identifiable to a particular function. Program revenues include charges paid by the recipient of the goods or services offered by the program and grants and contributions that are restricted to meeting the operational or capital requirements of a particular program. Revenues that are not classified as program revenues are presented as general revenues of the District, with certain limited exceptions. The comparison of direct expenses with program revenues identifies the extent to which each business segment or governmental function is self-financing or draws from the general revenues of the District.

SCOTT COUNTY SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS - CONTINUED

Year Ended June 30, 2008

NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - CONTINUED

Fund Financial Statements - Fund financial statements report detailed information about the District. The focus of governmental and enterprise fund financial statements is on major funds rather than reporting funds by type. Each major fund is presented in a separate column. Nonmajor funds are aggregated and presented in a single column. Fiduciary funds are reported by fund type.

The accounting and reporting treatment applied to a fund is determined by its measurement focus. All governmental fund types are accounted for using a flow of current financial resources measurement focus. The financial statements for governmental funds are a balance sheet, which generally includes only current assets and current liabilities, and a statement of revenues, expenditures and changes in fund balances, which reports on the changes in total net assets. Proprietary funds and fiduciary funds are reported using the economic resources measurement focus. The statement of cash flows provides information about how the District finances and meets the cash flow needs of its proprietary activities.

The District has the following funds:

1. Governmental Fund Types

- (A) The General Fund is the main operating fund of the Board. It accounts for financial resources used for general types of operations. This is a budgeted fund, and any fund balances are considered as resources available for use. This is a major fund of the District.
- (B) The Special Revenue (Grant) Funds account for proceeds of specific revenue sources (other than expendable trusts or major capital projects) that are legally restricted to disbursements for specified purposes. Project accounting is employed to maintain integrity for the various sources of funds. The separate projects of federally-funded grant programs are identified in the Schedule of Expenditures of Federal Awards included in this report on pages 51 through 53. This is a major fund of the District.
- (C) The Capital Project Funds are used to account for financial resources to be used for the acquisition or construction of major capital facilities and equipment (other than those financed by a Proprietary Fund).
 - 1. The Support Education Excellence in Kentucky (SEEK) Capital Outlay Fund receives those funds designated by the state as Capital Outlay Funds and is restricted for use in financing projects identified in the District's facility plan. This is a nonmajor fund of the District.
 - 2. The Facility Support Program of Kentucky (FSPK) accounts for funds generated by the building tax levy required to participate in the School Facilities Construction Commission's construction funding and state matching funds, where applicable. Funds may be used for projects identified in the District's facility plan. This is a nonmajor fund of the District.
 - 3. The Construction Fund accounts for proceeds from sales of bonds and other revenues to be used for authorized construction. This is a major fund of the District.
- (D) The Debt Service Funds are used to account for the accumulation of resources for, and the payment of, general long-term debt principal and interest and related cost, and for the payment of interest on general obligation notes payable, as required by Kentucky Law. This is a major fund of the District.

SCOTT COUNTY SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS - CONTINUED

Year Ended June 30, 2008

NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - CONTINUED

II Proprietary Fund Types (Enterprise Fund)

- (A) The Food Service and Summer Feeding Fund is used to account for school food service activities, including the National School Lunch Program, which is conducted in cooperation with the U.S. Department of Agriculture (USDA). Amounts have been recorded for in-kind contribution of commodities from the USDA. This is a major fund of the District.

The District applies all GASB pronouncements to proprietary funds as well as the Financial Accounting Standards Board pronouncements issued on or before November 30, 1989, unless those pronouncements conflict with or contradict GASB pronouncements.

III Fiduciary Fund Type (Agency Funds)

- (A) The Agency Funds account for activities of student groups and other types of activities requiring clearing accounts. These funds are accounted for in accordance with the Uniform Program of Accounting for School Activity Funds.

Basis of Accounting

Basis of accounting determines when transactions are recorded in the financial records and reported on the financial statements. Government-wide financial statements are prepared using the accrual basis of accounting. Governmental funds use the modified accrual basis of accounting. Proprietary and fiduciary funds also use the accrual basis of accounting.

Revenues - Exchange and Non-exchange Transactions - Revenues resulting from exchange transactions, in which each party receives essentially equal value, is recorded on the accrual basis when the exchange takes place. On a modified accrual basis, revenues are recorded in the fiscal year in which the resources are measurable and available. Available means that the resources will be collected within the current fiscal year or are expected to be collected soon enough thereafter to be used to pay liabilities of the current fiscal year. For the District, available means expected to be received within sixty days of the fiscal year-end.

Non-exchange transactions, in which the District receives value without directly giving equal value in return, include property taxes, grants, entitlements and donations. On an accrual basis, revenue from property taxes is recognized in the fiscal year for which the taxes are levied. Revenue from grants, entitlements and donations is recognized in the fiscal year in which all eligibility requirements have been satisfied. Eligibility requirements include timing requirements, which specify the year when the resources are required to be used or the fiscal year when use is first permitted, matching requirements, in which the District must provide local resources to be used for a specified purpose, and expenditure requirements, in which the resources are provided to the District on a reimbursement basis. On a modified accrual basis, revenue from nonexchange transactions must also be available before it can be recognized.

Deferred Revenue - Deferred revenue arises when assets are recognized before revenue recognition criteria have been satisfied.

Grants and entitlements received before the eligibility requirements are met are recorded as deferred revenue.

SCOTT COUNTY SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS - CONTINUED

Year Ended June 30, 2008

NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - CONTINUED

Expenses/Expenditures - On the accrual basis of accounting, expenses are recognized at the time they are incurred. The fair value of donated commodities used during the year is reported in the statement of revenues, expenses, and changes in net assets as an expense with a like amount reported as donated commodities revenue.

The measurement focus of governmental fund accounting is on decreases in net financial resources (expenditures) rather than expenses. Expenditures are generally recognized in the accounting period in which the related fund liability is incurred, if measurable. Allocations of cost, such as depreciation, are not recognized in governmental funds.

Property Taxes

Property Tax Revenues - Property taxes are levied each September on the assessed value listed as of the prior January 1, for all real and personal property in the county. The billings are considered due upon receipt by the taxpayer; however, the actual date is based on a period ending 30 days after the tax bill mailing. Property taxes collected are recorded as revenues in the fiscal year for which they were levied. All taxes collected are initially deposited into the General Fund and then transferred to the appropriate fund.

The property tax rates assessed for the year ended June 30, 2008 were \$0.397 per \$100 valuation for real property, \$0.397 per \$100 valuation for business personal property and \$0.548 per \$100 valuation for motor vehicles.

The District levies a 3.0% utility tax on all businesses and households within the District. The District also levies an occupational license tax of 0.5%

Capital Assets

General capital assets are those assets not specifically related to activities reported in the proprietary funds. These assets generally result from expenditures in the governmental funds. These assets are reported in the governmental activities column of the government-wide statement of net assets but are not reported in the fund financial statements. Capital assets utilized by the proprietary funds are reported both in the business-type activities column of the government-wide statement of net assets and in the respective funds.

All capital assets are capitalized at cost (or estimated historical cost) and updated for additions and retirements during the year. Donated fixed assets are recorded at their fair market values as of the date received. The District maintains a capitalization threshold of one thousand dollars with the exception of technology purchases for which there is no threshold. The District does not possess any infrastructure. Improvements are capitalized; the cost of normal maintenance and repairs that do not add to the value of the asset or materially extend an asset's life are not capitalized.

SCOTT COUNTY SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS - CONTINUED

Year Ended June 30, 2008

NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - CONTINUED

All reported capital assets are depreciated. Improvements are depreciated over the remaining useful lives of the related capital assets. Depreciation is computed using the straight-line method over the following useful lives for both general capital assets and proprietary fund assets:

Description	Estimated Lives
Buildings and improvements	25-50 years
Land improvements	20 years
Technology equipment	5 years
Vehicles	5-10 years
Food service equipment	10-12 years
General equipment	10-15 years

Interfund Balances

On fund financial statements, receivables and payables resulting from short-term interfund loans are classified as "interfund receivables/payables". These amounts are eliminated in the governmental and business-type activities columns of the statements of net assets, except for the net residual amounts due between governmental and business-type activities, which are presented as internal balances.

Accumulated Unpaid Sick Leave and Vacation

Upon retirement from the school system, an employee will receive from the District an amount equal to 30% of the value of accumulated sick leave.

Sick leave benefits are accrued as a liability using the termination payment method. An accrual for earned sick leave is made to the extent that it is probable that the benefits will result in termination payments. The liability is based on the School District's past experience of making termination payments.

Upon retirement or separation from the school district, an employee is also entitled to a payout of their accrued vacation. Vacation is accrued at varying rates depending upon length of service. The maximum vacation accrual is 60 days.

The entire compensated absence liability is reported on the government-wide financial statements.

For governmental fund financial statements the current portion of unpaid accrued sick leave is the amount expected to be paid using expendable available resources. These amounts are recorded in the account "accumulated sick leave payable" in the general fund. The noncurrent portion of the liability is not reported.

Budgetary Process

Budgetary Basis of Accounting: The District's budgetary process accounts for certain transactions on a basis other than Generally Accepted Accounting Principles (GAAP). The major differences between the budgetary basis and the GAAP basis are:

Revenues are recorded when received in cash (budgetary) as opposed to when susceptible to accrual (GAAP).

Expenditures are recorded when paid in cash (budgetary) as opposed to when susceptible to accrual (GAAP).

SCOTT COUNTY SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS - CONTINUED

Year Ended June 30, 2008

NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - CONTINUED

Once the budget is approved, it can be amended. Amendments are presented to the Board at their regular meetings.

Each budget is prepared and controlled by the budget coordinator at the revenue and expenditure function/object level. All budget appropriations lapse at year-end.

Cash and Cash Equivalents

The District considers demand deposits, money market funds, and other investments with a maturity of 90 days or less, to be cash equivalents.

Inventories

On the government-wide financial statement, inventories are stated at cost and are expensed when used. On the fund financial statements, inventories are stated at cost. The cost of inventory items is recorded as an expenditure in the governmental fund types when purchased. The food service fund uses the specific identification method and the general fund uses the first-in, first-out method.

Prepaid Assets

Payments made that will benefit periods beyond June 30, 2008 are recorded as prepaid items using the consumption method. A current asset for the prepaid amount is recorded at the time of the purchase and an expenditure/expense is reported in the year in which services are consumed.

Investments

Investments are recorded at their quoted market prices, with all realized gains and losses and changes in fair value recorded in the Statement of Activities. In the event an investment is purchased at a premium, the premium will be amortized monthly over the life of the investment.

Accrued Liabilities and Long-Term Obligations

All payables, accrued liabilities and long-term obligations are reported in the government-wide financial statements, and all payables, accrued liabilities and long-term obligations payable from proprietary funds are reported on the proprietary fund financial statements.

In general, payables and accrued liabilities that will be paid from governmental funds are reported on the governmental fund financial statements regardless of whether they will be liquidated with current resources. However, claims and judgments, capital leases, accumulated sick leave, and special termination benefits that will be paid from governmental funds are reported as a liability in the fund financial statements only to the extent that they will be paid with current, expendable, available financial resources. In general, payments made within sixty days after year-end are considered to have been made with current available financial resources. Bonds and other long-term obligations that will be paid from governmental funds are not recognized as a liability in the fund financial statements until due.

SCOTT COUNTY SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS - CONTINUED

Year Ended June 30, 2008

NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - CONTINUED

Fund Balance Reserves

The District reserves those portions of fund equity which are legally segregated for a specific future use or which do not represent available expendable resources and therefore are not available for appropriation or expenditure. Unreserved fund balance indicates that portion of fund equity which is available for appropriation in future periods. Fund equity reserves have been established for inventories and fixed assets.

Net Assets

Net assets represent the difference between assets and liabilities. Net assets invested in capital assets, net of related debt consists of capital assets, net of accumulated depreciation, reduced by the outstanding balances of any borrowings used for the acquisition, construction or improvement of those assets. Net assets are reported as restricted when there are limitations imposed on their use either through the enabling legislation adopted by the School District or through external restrictions imposed by creditors, grantors or laws or regulations of other governments.

Operating Revenues and Expenses

Operating revenues are those revenues that are generated directly from the primary activity of the proprietary funds. For the School District, those revenues are primarily charges for meals provided by the various schools.

Interfund Activity

Exchange transactions between funds are reported as revenues in the seller funds and as expenditures/expenses in the purchaser funds. Flows of cash or goods from one fund to another without a requirement for repayment are reported as interfund transfers. Interfund transfers are reported as other financing sources/uses in governmental funds and after nonoperating revenues/expenses in proprietary funds. Repayments from funds responsible for particular expenditures/expenses to the funds that initially paid for them are not presented on the financial statements.

NOTE B - ESTIMATES

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires the District's management to make estimates and assumptions that affect reported amounts of assets, liabilities, fund balances, and disclosure of contingent assets and liabilities at the date of the general purpose financial statements, and the reported amounts of revenues and expenditures during the reporting period. Actual results could differ from those estimates.

SCOTT COUNTY SCHOOL DISTRICT**NOTES TO FINANCIAL STATEMENTS - CONTINUED**

Year Ended June 30, 2008

NOTE C - CASH AND CASH EQUIVALENTS

Custodial credit risk for deposits is the risk that in the event of a bank failure, the District's deposits may not be returned to it. The District's cash deposits are covered by Federal Depository Insurance up to \$100,000 per financial institution, with the remainder covered by collateral agreements and collateral held by the pledging banks' trust departments in the District's name. Cash equivalents are funds temporarily invested in securities with a maturity of 90 days or less.

Cash and cash equivalents at June 30, 2008 consisted of the following:

	Bank Balance	Book Balance
Whitaker Bank - checking	\$ 5,474,911	\$ 5,268,206
Whitaker Bank - CDs	8,505,334	7,250,000
Farmers Bank - checking	59,225	56,530
PNC - checking	951,421	951,421
Bank of New York - checking	410,804	-
Town & Country - checking	5,116,559	5,116,559
Petty Cash	25	25
	<u>\$ 20,518,279</u>	<u>\$ 18,642,741</u>

Breakdown per financial statements is as follows:

Governmental funds	\$ 16,717,435
Proprietary funds	444,237
Fiduciary funds	1,481,069
	<u>\$ 18,642,741</u>

NOTE D - INVESTMENTS

As of June 30, 2008, the District had the following investments:

Investment Type	Fair Value	Weighted Average Maturity
U.S. Governmental agencies	\$ 1,729,011	2008
Certificates of Deposit	1,250,000	2008
Total	<u>\$ 2,979,011</u>	

Credit risk: Credit risk is the risk that an issuer of an investment will not fulfill its obligation to the holder of the investment. More specifically, custodial credit risk is the risk that, in the event of the failure of the counterparty, the District will not be able to recover the value of its investments or collateral securities that are in the possession of an outside party. The District is allowed by state statute to invest in U.S. government agencies and U.S. treasuries which are obligations of the United States government pledged by its full faith and credit. All investments held by the District are insured or collateralized with securities held by the District or by its agent in the District's name.

Interest rate risk: Interest rate risk is the risk that changes in market interest rates will adversely affect the fair value of an investment. The District manages its exposure to declines in fair value by purchasing a combination of shorter and longer term investments and by timing cash flows from maturities so that a portion of the portfolio is maturing or approaching maturity evenly over time as necessary to provide the cash flow and liquidity needed for operations.

SCOTT COUNTY SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS - CONTINUED

Year Ended June 30, 2008

NOTE E- CAPITAL ASSETS

Capital asset activity for the year ended June 30, 2008 was as follows:

	Balance July 1, 2007	Additions	Disposals	Balance June 30, 2008
Governmental Activities				
Cost				
Land	\$ 6,348,414	\$ -	\$ -	\$ 6,348,414
Land improvements	3,301,448	61,796	89,531	3,273,713
Buildings and improvements	103,925,292	8,853,565	-	112,778,857
Technology equipment	6,332,597	869,994	1,160,622	6,041,969
Infrastructure	39,053	-	39,053	-
General equipment	1,657,639	216,739	7,807	1,866,571
Vehicles	4,385,747	685,833	161,188	4,910,392
Construction in progress	7,478,941	15,332,037	9,207,860	13,603,118
Totals at historical cost	\$ 133,469,131	\$ 26,019,964	\$ 10,666,061	\$ 148,823,034
Accumulated Depreciation				
	Balance July 01, 2007	Depreciation	Disposals	Balance June 30, 2008
Land improvements	\$ 1,030,397	\$ 163,715	\$ 82,816	\$ 1,111,296
Buildings and improvements	22,420,860	2,265,848	-	24,686,708
Technology equipment	4,388,840	784,092	1,143,312	4,029,620
Infrastructure	14,645	651	15,296	-
General equipment	747,529	143,886	5,318	886,097
Vehicles	2,894,154	320,919	161,188	3,053,885
Total accumulated depreciation	\$ 31,496,425	\$ 3,679,111	\$ 1,407,930	\$ 33,767,606
Governmental Activities Capital Assets, net	\$ 101,972,706	\$ 22,340,853	\$ 9,258,131	\$ 115,055,428
Depreciable capital assets	88,145,351			95,103,896
Non-depreciable capital assets	13,827,355			19,951,532
Total governmental activities capital assets, net	\$ 101,972,706			\$ 115,055,428
Business-Type Activities				
Cost				
Food service equipment	\$ 1,438,754	\$ 225,043	\$ 12,078	\$ 1,651,719
Vehicles	-	3,090	-	3,090
Technology equipment	128,170	2,995	36,510	94,655
Totals at historical cost	\$ 1,566,924	\$ 231,128	\$ 48,588	\$ 1,749,464
Accumulated Depreciation				
	Balance July 1, 2007	Depreciation	Disposals	Balance June 30, 2008
Food service equipment	\$ 773,610	\$ 85,067	\$ 11,370	\$ 847,307
Vehicles	-	566	-	566
Technology equipment	82,127	15,823	36,510	61,440
Total accumulated depreciation	\$ 855,737	\$ 101,456	\$ 47,880	\$ 909,313
Capital Assets, net	\$ 711,187			\$ 840,151

SCOTT COUNTY SCHOOL DISTRICT**NOTES TO FINANCIAL STATEMENTS - CONTINUED**

Year Ended June 30, 2008

Depreciation expense for the year ended June 30, 2008 for governmental activities by function is summarized below:

Instructional	\$ 3,027,051
Instruction student support	25,189
Instruction staff support	126,513
District administration	68,754
School administration	51,665
Business support services	32,604
Plant operations and maintenance	64,880
Student transportation	282,145
Community services	<u>310</u>
Total	<u>\$ 3,679,111</u>

NOTE F - CAPITAL LEASE OBLIGATIONS

During the year ended June 30, 2007, the District entered into a capital lease agreement for the purchase of four buses. As of June 30, 2008, the buses had a net book value of \$ 258,536. During the year ended June 30, 2008, the District entered into a capital lease agreement for the purchase of an additional eight buses. As of June 30, 2008, the buses had a net book value of \$679,424.

The following is a schedule by years of the future minimum lease payments under capital lease together with the present value of the net minimum lease payments as of June 30, 2008:

<u>Year Ending June 30,</u>	<u>Amount</u>
2009	\$ 140,067
2010	135,695
2011	123,252
2012	123,556
2013	123,644
Thereafter	<u>536,134</u>
Total minimum lease payments	1,182,348
Less: Amount representing interest	<u>(184,711)</u>
Present Value of Net Minimum Lease Payments	<u>\$ 997,637</u>

SCOTT COUNTY SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS - CONTINUED

Year Ended June 30, 2008

NOTE G - BONDED DEBT AND LEASE OBLIGATIONS

The original amount of each bond issue, the issue date, and interest rates are summarized below:

Issue Date	Proceeds	Rates
1996	\$ 1,415,000	4.300% - 5.000%
1997 (Ref)	4,345,000	3.900% - 4.500%
1998 (Ref)	1,145,000	4.050% - 4.250%
1999	6,900,000	3.600% - 4.500%
2000	1,100,000	4.250% - 4.600%
2001 (Ref)	18,965,000	3.125% - 4.750%
2002	12,000,000	3.000% - 5.000%
2004	12,100,000	2.000% - 4.300%
2004B	4,500,000	2.500% - 5.000%
2005	22,125,000	3.000% - 4.375%
2007	8,200,000	4.000% - 4.250%
2007B	12,400,000	4.000% - 4.300%
2008	7,650,000	3.500% - 3.900%
2008 (Ref)	1,835,000	2.000% - 3.250%

The District, through the General Fund (including utility taxes and the Support Education Excellence in Kentucky (SEEK) Capital Outlay Fund) is obligated to make payments in amounts sufficient to satisfy debt service requirements on bonds issued by the Scott County School District Finance Corporation to construct school facilities. The District has an option to purchase the property under lease at any time by retiring the bonds then outstanding.

In 1987 the District entered into "participation agreements" with the School Facility Construction Commission. The Commission was created by the Kentucky General Assembly for the purpose of assisting local school districts in meeting school construction needs. The table below sets forth the amount to be paid by the District and the Commission for each year until maturity of all bond issues.

SCOTT COUNTY SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS - CONTINUED

Year Ended June 30, 2008

The bonds may be called prior to maturity and redemption premiums are specified in each issue. As of June 30, 2008 the total bond principal and interest due was \$95,770,000 and \$47,269,280, respectively. Assuming no bonds are called prior to scheduled maturity, the minimum obligations of the District, including amounts to be paid by the Commission, at June 30, 2008 for debt service (principal and interest) are as follows:

	Scott County School District		Kentucky School Facility Construction Commission		Total	Total
	Principal	Interest	Principal	Interest	Principal	Interest
2008-2009	2,937,857	3,699,341	702,143	296,908	3,640,000	3,996,249
2009-2010	3,035,886	3,603,728	589,114	275,468	3,625,000	3,879,196
2010-2011	3,143,355	3,494,163	581,645	255,252	3,725,000	3,749,415
2011-2012	3,257,059	3,379,509	602,941	233,775	3,860,000	3,613,284
2012-2013	3,382,555	3,252,949	447,445	210,855	3,830,000	3,463,804
2013-2014	3,515,535	3,119,128	464,465	194,118	3,980,000	3,313,246
2014-2015	3,661,947	2,977,341	478,053	176,285	4,140,000	3,153,626
2015-2016	3,812,617	2,825,536	442,383	157,822	4,255,000	2,983,358
2016-2017	3,979,725	2,662,467	460,275	139,931	4,440,000	2,802,398
2017-2018	4,150,941	2,491,497	479,059	121,148	4,630,000	2,612,645
2018-2019	4,334,742	2,312,589	440,258	101,563	4,775,000	2,414,152
2019-2020	4,527,013	2,119,988	297,987	83,069	4,825,000	2,203,057
2020-2021	4,734,975	1,916,686	310,025	71,030	5,045,000	1,987,716
2021-2022	4,952,187	1,696,131	322,813	58,242	5,275,000	1,754,373
2022-2023	5,188,705	1,464,027	336,295	44,761	5,525,000	1,508,788
2023-2024	5,409,468	1,241,586	350,532	30,523	5,760,000	1,272,109
2024-2025	5,642,987	1,007,404	117,013	15,562	5,760,000	1,022,966
2025-2026	5,888,014	761,606	121,986	10,589	6,010,000	772,195
2026-2027	6,142,830	511,698	127,170	5,405	6,270,000	517,103
2027-2028	6,400,000	249,600	-	-	6,400,000	249,600
	<u>\$88,098,398</u>	<u>\$44,786,974</u>	<u>\$ 7,671,602</u>	<u>\$ 2,482,306</u>	<u>\$95,770,000</u>	<u>\$47,269,280</u>

During the year ended June 30, 2008 the District paid principal payments of \$3,615,000.

During 2008, the District issued school building revenue bonds totaling \$1,835,000 to refund a certain bond issue totaling \$1,745,000. As the refunding occurred in the same period as the issue, it was deemed a current refunding. The current refunding resulted in a deferred loss (difference between reacquisition price and net carrying value of old bonds), which will be amortized over the original remaining life of the refunded debt. The balance of the unamortized deferred loss on advance refunding is \$34,604 as of June 30, 2008. The refunding was undertaken to reduce total debt service payments by \$91,655, the net present value of which was \$79,893 at date of transaction.

SCOTT COUNTY SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS - CONTINUED

Year Ended June 30, 2008

NOTE H - OPERATING LEASE

Commitments under operating lease agreements for office equipment provide the minimum future rental payments as of June 30, 2008:

Year Ending <u>June 30,</u>	
2009	\$ 26,164
2010	19,464
2011	18,660
2012	18,660
2013	<u>3,110</u>
Total	<u>\$ 86,058</u>

Rent expense for the year ended June 30, 2008 was \$44,891.

NOTE I - CONTINGENCIES

The District receives funding from Federal, State and Local government agencies and private contributions. These funds are to be used for designated purposes only. For government agency grants, if based upon the grantor's review, the funds are considered not to have been used for the intended purpose, the grantors may request a refund of monies advanced, or refuse to reimburse the District for its disbursements. The amount of such future refunds and unreimbursed disbursements, if any, is not expected to be significant. Continuation of the District's grant programs is predicated upon the grantors' satisfaction that the funds provided are being spent as intended and the grantors' intent to continue their programs.

NOTE J - LITIGATION

The District is subject to various other legal actions in various stages of litigation, the outcome of which is not determinable at this time. Management of the District and its legal counsel do not anticipate that there will be any material effect on the combined financial statements as a result of the cases presently in progress.

NOTE K - INSURANCE AND RELATED ACTIVITIES

The District is exposed to various forms of loss of assets associated with the risks of fire, personal liability, theft, vehicular accidents, errors and omissions, fiduciary responsibility, etc. Each of these risk areas is covered through the purchase of commercial insurance. The District has purchased certain policies which are retrospectively rated which includes Workers' Compensation insurance.

SCOTT COUNTY SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS - CONTINUED

Year Ended June 30, 2008

NOTE L - RISK MANAGEMENT

The District is exposed to various risks of loss related to injuries to employees. To obtain insurance of workers' compensation, errors and omissions, and general liability coverage, the District participates in the Kentucky School Boards Insurance Trust Liability Insurance Fund. The public entity pools operate as common risk management and insurance programs for all school district and other tax supported educational agencies of Kentucky who are members of the Kentucky School Boards Association. The District pays an annual premium to each fund for coverage. Contributions to the Workers' Compensation fund are based on premium rates established by such fund in conjunction with the excess insurance carrier, subject to claims experience modifications and a group discount amount. Dividends may be declared, but are not payable until insurance premiums of the participating members established by the insurance carrier. The Trust can terminate coverage if it is unable to obtain acceptable excess general liability coverage and for any reason by giving ninety (90) days notice. In the event the Trust terminated coverage, any amount remaining in the Fund (after payment of operational and administrative costs and claims for which coverage was provided) would be returned to the members on a pro rata basis.

The District purchases unemployment insurance through the Kentucky School Boards Insurance Trust Unemployment Compensation Fund; however, risk has not been transferred to such fund. In addition, the District continues to carry commercial insurance for all other risks of loss. Settled claims resulting from these risks have not exceeded commercial insurance coverage in any of the past three fiscal years.

NOTE M - NOTES RECEIVABLE

Notes receivable at June 30, 2008 consists of accounts receivable converted to notes receivable for collection purposes as listed below:

Note receivable: Louisville Forge & Gear Works; Due December 2008; monthly payments of \$7,296; simple interest at prime rate (5% at June 30, 2008).	\$ 45,919
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SCOTT COUNTY SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS - CONTINUED

Year Ended June 30, 2008

NOTE N - RETIREMENT PLAN

Classified Employees - Classified employees (substantially all full-time District employees other than certified employees) are covered by the County Employees Retirement Systems ("CERS"), a cost-sharing multiple-employer defined benefit pension plan administered by the Kentucky Retirement System, an agency of the Commonwealth of Kentucky. CERS provides retirement, death and disability benefits to Plan members and beneficiaries. Cost of living adjustments are provided at the discretion of the State Legislature.

Under the provisions of the Kentucky Revised Statute Section 61.645, the Board of Trustees of the Kentucky Retirement System administers CERS and has the authority to establish and amend benefit provisions.

Plan members are required to contribute 5% of their annual covered compensation and the District is required to contribute at an actuarially determined rate. The current rate is 16.17% of the employee's total covered compensation. The contribution requirements of Plan members and the District are established and may be amended by the Kentucky Retirement Systems' Board of Trustees. The District's contributions to CERS for the years ended June 30, 2008 and 2007 were \$1,134,824 and \$1,232,198, respectively, equal to the required contributions for those years.

The Kentucky Retirement System issues a publicly available financial report that includes financial statements and required supplementary information for CERS. That report may be obtained by writing to Kentucky Retirement Systems, Perimeter Park West, 1260 Louisville Road, Frankfort, KY 40601.

Certified Employees - Certified employees are covered under the Kentucky Teachers Retirement System ("KTRS"), a cost-sharing multiple-employer defined benefit plan. KTRS provides retirement, death and disability benefits to Plan members. Cost of living increases are 1.5% annually. Any benefit amendments must be authorized by the State Legislature.

Plan members are required to contribute 9.855% of their annual covered compensation, and the Commonwealth of Kentucky provides matching contributions as required by Kentucky Revised Statutes 165.540 and 161.550 (13.105% of salaries). The payments made by the Commonwealth of Kentucky on behalf of the District's certified employees, amounting to \$3,943,238, are reflected in the accompanying financial statements as both revenues and expenses/expenditures. The Commonwealth of Kentucky requires payments for federally funded employees to be made by such federal funds; for the fiscal year ended June 30, 2008, this funding amounted to \$255,347.

KTRS issues a publicly available financial report that includes financial statements and required supplementary information on the Plan. That report may be obtained by writing to Kentucky Teachers' Retirement System, 479 Versailles Road, Frankfort, Kentucky 40601.

Retirement Plan - The District makes available 401(k) and 403(b) defined contribution pension plans for all employees. Employees are allowed to contribute to the Plans up to the Internal Revenue Code maximum allowable amount. The District does not contribute to these Plans.

SCOTT COUNTY SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS - CONTINUED

Year Ended June 30, 2008

NOTE O - DEFICIT OPERATING BALANCES

There are no funds of the District that currently have a deficit fund balance. However, the following funds have operations that resulted in a current year deficit of revenues over expenditures resulting in a corresponding reduction of fund balance:

Construction Fund	\$ 6,309,537
General Fund	757,755
Debt Service	56,348

NOTE P - COBRA

Under COBRA, employers are mandated to notify terminated employees of available continuing insurance coverage. Failure to comply with this requirement may put the school district at risk for a substantial loss contingency.

NOTE Q - COMMITMENTS

The District is currently constructing an addition to the preschool facility that began in fiscal year 2008, with an estimated cost of completion of \$4,300,000. This project is included in the original preschool renovation contract signed in fiscal year 2006. In addition, the District began phase II of the Scott County Middle School renovation in fiscal year 2008, with an estimated cost of completion of \$3,350,000. This project is included in the original renovation contract signed in fiscal year 2005. Both projects were funded by 2008 bond issues. Finally, the District continued its renovation of Georgetown Middle School during fiscal year 2008, with an estimated cost of completion of \$9,400,000. This project is included in the original renovation contract signed in fiscal year 2006 and was funded by a 2007 bond issue.

During fiscal year 2008, the District proposed construction of a Career Tech and Performing Arts Center to be completed in 2010. However, as the District has not entered into any contracts to date regarding this project, cost is not yet reasonably estimable. As of June 30, 2008, the District has incurred only \$26,000 in architectural fees. The project is to be funded by a bond issue in 2009.

SCOTT COUNTY SCHOOL DISTRICT**NOTES TO FINANCIAL STATEMENTS - CONTINUED**

Year Ended June 30, 2008

NOTE R - ON-BEHALF PAYMENTS

For the year ended June 30, 2008 total payments of \$9,100,549 were made for life insurance, health insurance, KTRS matching and administrative fees by the Commonwealth of Kentucky on behalf of the District. These payments were recognized as on-behalf payments and recorded in the appropriate revenue and expense accounts on the statement of activities. These revenues and expenditures are not budgeted by the District.

NOTE S - TRANSFER OF FUNDS

The following transfers were made during the year:

Type	From Fund	To Fund	Purpose	Amount
Operating	General	Enterprise	Summer Enrichment	\$ 3,600
Operating	General	Enterprise	Daycare Program	31,140
Operating	General	Construction	Fieldhouse Construction	131,466
Operating	General	Construction	SCMS Practice Turf	63,193
Operating	General	Special Revenue	KETS Match	85,121
Operating	Special Revenue	General	Indirect Cost	49,803
Operating	Capital Outlay	Construction	Property Acquisition and Construction	390,676
Operating	Capital Outlay	Debt Service	Debt Service	134,872
Operating	Building	Debt Service	Debt Service	6,133,336
Operating	Construction	Debt Service	Debt Service	4,919
Operating	Debt Service	Debt Service	Debt Service	1,793,251
Operating	Debt Service	General	Debt Service	15,000

NOTE T - SUBSEQUENT EVENT

Currently, the District receives "in lieu of" property taxes directly from a local taxpayer based on the value of their manufacturing facility. Effective January 1, 2008, the taxpayer instead began remitting property taxes through a local government agency as required by law. Although the total value of property tax received is anticipated to be similar to "in lieu of" revenues received in years past, the District anticipates an approximate \$988,000 decrease in budgeted revenues for fiscal year 2009 due to the resulting decrease in SEEK funding. As SEEK funding is calculated based on the amount of property tax received per student, an increase in property tax revenues will result in a decrease in SEEK revenues that is disproportionate to the increase in property tax revenues received.

SUPPLEMENTARY INFORMATION

SCOTT COUNTY SCHOOL DISTRICT

COMBINING BALANCE SHEET - NONMAJOR GOVERNMENTAL FUNDS

June 30, 2008

	Capital Outlay Fund	Building Fund	Garth Memorial Trust	Total Nonmajor Governmental Funds
Assets				
Cash and cash equivalents	\$ <u>5,452</u>	\$ <u>416,050</u>	\$ <u>8,686</u>	\$ <u>430,188</u>
Total assets	\$ <u>5,452</u>	\$ <u>416,050</u>	\$ <u>8,686</u>	\$ <u>430,188</u>
Fund Balances				
Unreserved, reported in:				
Building funds	\$ -	\$ 416,050	\$ -	\$ 416,050
Debt service funds	5,452	-	-	5,452
Permanent funds	<u>-</u>	<u>-</u>	<u>8,686</u>	<u>8,686</u>
Total fund balances	<u>5,452</u>	<u>416,050</u>	<u>8,686</u>	<u>430,188</u>
Total liabilities and fund balances	\$ <u>5,452</u>	\$ <u>416,050</u>	\$ <u>8,686</u>	\$ <u>430,188</u>

See accompanying independent auditor's report.

SCOTT COUNTY SCHOOL DISTRICT**COMBINING STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND
BALANCES - NONMAJOR GOVERNMENTAL FUNDS**

For the Year ended June 30, 2008

	Capital Outlay Fund	Building Fund	Garth Memorial Trust	Total Nonmajor Governmental Funds
Revenues				
From local sources				
Property taxes	\$ -	\$ 5,374,062	\$ -	\$ 5,374,062
Earnings on investments	-	14,890	435	15,325
State sources				
Other	681,630	759,274	-	1,440,904
Other revenues	<u>-</u>	<u>-</u>	<u>1,500</u>	<u>1,500</u>
Total revenues	<u>681,630</u>	<u>6,148,226</u>	<u>1,935</u>	<u>6,831,791</u>
Expenditures				
Construction services	-	-	1,000	1,000
Plant operation and management	<u>150,631</u>	<u>-</u>	<u>-</u>	<u>150,631</u>
Total expenditures	<u>150,631</u>	<u>-</u>	<u>1,000</u>	<u>151,631</u>
Excess of revenues over expenditures	530,999	6,148,226	935	6,680,160
Other financing uses				
Operating transfers in	-	-	-	-
Operating transfers out	<u>(525,547)</u>	<u>(6,133,336)</u>	<u>-</u>	<u>(6,658,883)</u>
Total other financing uses	<u>(525,547)</u>	<u>(6,133,336)</u>	<u>-</u>	<u>(6,658,883)</u>
Excess of revenues and other financing sources over expenditures and other financing uses	5,452	14,890	935	21,277
Fund balance, June 30, 2007	<u>-</u>	<u>401,160</u>	<u>7,751</u>	<u>408,911</u>
Fund balance, June 30, 2008	<u>\$ 5,452</u>	<u>\$ 416,050</u>	<u>\$ 8,686</u>	<u>\$ 430,188</u>

See accompanying independent auditor's report.

SCOTT COUNTY SCHOOL DISTRICT

COMBINING STATEMENT OF ASSETS, LIABILITIES AND DUE TO/FROM OTHER STUDENT GROUPS - ACTIVITY FUNDS

June 30, 2008

	Scott County High School	Scott County Middle School	Georgetown Middle School	Royal Spring Middle School	Eastern Elementary School	Ninth Grade School	Garth Elementary School	Northern Elementary School	Southern Elementary School	Stamping Ground Elementary School	Western Elementary School	Anne Mason Elementary School	Totals
Assets													
Cash	\$ 300,541	\$ 145,668	\$ 73,091	\$ 37,396	\$ 55,513	\$ 37,994	\$ 148,709	\$ 60,625	\$ 102,454	\$ 56,530	\$ 289,926	\$ 147,542	\$ 1,455,989
Accounts receivable	<u>4,396</u>	<u>-</u>	<u>-</u>	<u>2,961</u>	<u>43</u>	<u>774</u>	<u>611</u>	<u>2,487</u>	<u>7,922</u>	<u>1,466</u>	<u>199</u>	<u>3,294</u>	<u>24,153</u>
Total assets	\$ 304,937	\$ 145,668	\$ 73,091	\$ 40,357	\$ 55,556	\$ 38,768	\$ 149,320	\$ 63,112	\$ 110,376	\$ 57,996	\$ 290,125	\$ 150,836	\$ 1,480,142
Liabilities													
Accounts payable	\$ 19,139	\$ -	\$ 631	\$ 4,186	\$ 12,628	\$ -	\$ 39,682	\$ 18,955	\$ 43,978	\$ 9,320	\$ 38,148	\$ 35,851	\$ 222,518
Due to/from other student groups	<u>285,798</u>	<u>145,668</u>	<u>72,460</u>	<u>36,171</u>	<u>42,928</u>	<u>38,768</u>	<u>109,638</u>	<u>44,157</u>	<u>66,398</u>	<u>48,676</u>	<u>251,977</u>	<u>114,985</u>	<u>1,257,624</u>
Total liabilities and due to/from other student groups	\$ 304,937	\$ 145,668	\$ 73,091	\$ 40,357	\$ 55,556	\$ 38,768	\$ 149,320	\$ 63,112	\$ 110,376	\$ 57,996	\$ 290,125	\$ 150,836	\$ 1,480,142

See accompanying independent auditor's report.

SCOTT COUNTY SCHOOL DISTRICT

COMBINING STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN DUE TO/FROM OTHER STUDENT GROUPS - ACTIVITY FUNDS

For the Year ended June 30, 2008

	Scott County High School	Scott County Middle School	Georgetown Middle School	Royal Spring Middle School	Eastern Elementary School	Ninth Grade School	Garth Elementary School	Northern Elementary School	Southern Elementary School	Stamping Ground Elementary School	Western Elementary School	Anne Mason Elementary School	Totals
Revenues from student activities \$	831,100	\$ 186,513	\$ 123,767	\$ 213,011	\$ 153,231	\$ 137,730	\$ 278,296	\$ 134,723	\$ 222,800	\$ 142,813	\$ 348,679	\$ 343,909	\$ 3,116,572
Non-instructional expenses	863,833	196,787	106,535	195,811	139,493	132,271	225,446	100,387	196,124	126,640	265,840	298,176	2,847,343
Excess (deficit) of revenues over expenditures	(32,733)	(10,274)	17,232	17,200	13,738	5,459	52,850	34,336	26,676	16,173	82,839	45,733	269,229
Due to/from other student groups, July 1, 2007	318,531	155,942	55,228	18,971	29,190	33,309	56,788	9,821	39,722	32,503	169,138	69,252	988,395
Due to/from other student groups, June 30, 2008	285,798	\$ 145,668	\$ 72,460	\$ 36,171	\$ 42,928	\$ 38,768	\$ 109,638	\$ 44,157	\$ 66,398	\$ 48,676	\$ 251,977	\$ 114,985	\$ 1,257,624

See accompanying independent auditor's report.

SCOTT COUNTY SCHOOL DISTRICT

STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN DUE TO/FROM OTHER STUDENT GROUPS - SCOTT COUNTY HIGH SCHOOL

For the Year ended June 30, 2008

	Due to/from other student groups July 1, 2007	Receipts	Disbursements	Due to/from other student groups June 30, 2008
Academic Team	\$ 401	\$ 1,072	\$ 872	\$ 601
Advanced Placement	4,504	22,578	22,512	4,570
AF Logistical Support	1,543	501	1,850	194
AFJROTC	4,598	14,918	16,120	3,396
AFJROTC - Cadet TL	-	1,152	-	1,152
Ag. Dept. Farm	53	1,765	218	1,600
Alternative Program	179	234	121	292
Annual	15,564	11,884	8,614	18,834
Aquaponics Project	252	-	-	252
Art Fees	577	180	24	733
Ath-Band Activities	-	250	250	-
Athletic General	24,391	71,381	95,424	348
Athletic Office	4,716	21,604	15,634	10,686
Band	9,857	22,091	28,010	3,938
Baseball	399	26,720	27,119	-
Baseball Districts	-	1,619	1,619	-
Basketball Concessions	549	9,957	10,334	172
Beta Club	398	10,945	10,918	425
Bevins FFA Donations	-	3,000	-	3,000
Bowling	3,963	3,129	848	6,244
Boys Basketball	23,233	53,243	72,916	3,560
Boys Basket Ball	2,703	24,176	24,875	2,004
Boys Golf	6,290	10,995	10,773	6,512
Boys Soccer	2,626	7,105	6,028	3,703
Boys Tennis	694	602	1,197	99
Boys Tennis Boosters	1,589	-	-	1,589
Boys Track	370	4,271	4,184	457
Business Fees	4	2,465	1,436	1,033
CBI Program	100	1,260	1,232	128
Charitable Gaming	-	195,793	189,021	6,772
Chess Club	86	60	-	146
Childcare Account	113	310	223	200
Choral	2,937	42,379	38,439	6,877
Computer Lab	95	18	31	82
Co-Op	324	2,909	2,942	291
Corporate Sponsors	1,960	18,400	8,030	12,330
Courtesy Committee	10	1,780	1,645	145
Cross Country	1,339	7,828	7,272	1,895
Cultural Exchange	161	-	-	161
Cutter Foreign	171	-	97	74
Dance Team	464	11,446	11,601	309
DECA	5,326	29,897	29,926	5,297
Drama	5,940	10,003	9,027	6,916
Faculty Snack Machine	140	210	247	103
Faculty Vending	88	1,115	1,079	124
FBLA	252	855	467	640
FCA	2,648	1,900	1,684	2,864
FCCLA	1,480	9,130	10,308	302
FEA	1,408	75	64	1,419

See accompanying independent auditor's report.

SCOTT COUNTY SCHOOL DISTRICT

STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN DUE TO/FROM OTHER STUDENT GROUPS - SCOTT COUNTY HIGH SCHOOL

For the Year ended June 30, 2008

	Due to/from other student groups July 1, 2007	Receipts	Disbursements	Due to/from other student groups June 30, 2008
FFA	692	39,081	36,895	2,878
Field Trip	2,093	145	255	1,983
Fister Scholarship	1,260	-	-	1,260
Football	400	80,431	80,580	251
Football Concessions	20,895	12,427	20,762	12,560
Foreign Language Club	11	-	-	11
French Club	170	275	75	370
Frisbee	-	152	-	152
General Concessions	1,276	13,299	14,575	-
General Fund	3,079	21,193	11,274	12,998
German Club	-	1,392	951	441
Girls Basketball	5,127	16,700	20,664	1,163
Girls Basketball Boosters	-	1,663	1,663	-
Girls Golf	1,697	4,100	4,874	923
Girls Soccer	1,739	6,870	3,741	4,868
Girls Soccer District	-	2,175	2,175	-
Girls Tennis	3,138	1,752	1,239	3,651
Girls Tennis Boosters	1,234	-	200	1,034
Girls Track	171	4,271	3,832	610
Go Club	-	74	-	74
Guidance Recovery	594	597	565	626
Historical Society	49	-	-	49
Home Economics	1,611	2,134	2,894	851
Horticulture	7,432	20,173	22,013	5,592
HOSA	1,557	8,212	8,342	1,427
Hospitality Account	499	3,487	3,882	104
Incentive Committee	251	-	-	251
Interest	3,477	14,641	16,700	1,418
International Club	471	1,120	853	738
J/K Overtime	7,726	4,221	7,728	4,219
Japan - Student Trip	63	12,746	10,099	2,710
Journalism	295	65	189	171
JTF Memorial FFA CD	3,523	310	-	3,833
Junior Class	6,916	28,138	24,597	10,457
Key Club	1,095	663	606	1,152
Knitting Club	-	135	-	135
Locker and Planner	1,002	8,900	4,745	5,157
Math Fund	364	1,097	358	1,103
National Honor Society	2,035	962	968	2,029
Newspaper, Yearbook	234	-	-	234
Pep Club	436	-	-	436
Project Success	5,476	3,344	1,147	7,673
Psychology Club	-	130	19	111
Reach for the Stars	1,086	-	-	1,086
Reserved Seating	781	13,836	14,303	314
SADD	614	127	10	731
Science Club	264	20	-	284
Science Fees	2,297	4,595	2,580	4,312

See accompanying independent auditor's report.

SCOTT COUNTY SCHOOL DISTRICT

STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN DUE TO/FROM OTHER STUDENT GROUPS - SCOTT COUNTY HIGH SCHOOL

For the Year ended June 30, 2008

	Due to/from other student groups July 1, 2007	Receipts	Disbursements	Due to/from other student groups June 30, 2008
Senior Class	1,811	11,096	10,124	2,783
SMAC	659	453	829	283
Softball	-	7,427	7,427	-
Softball District	-	898	898	-
Softball State	92	4,568	4,660	-
Spanish	402	145	74	473
Speech	367	8,814	9,175	6
State Tournament	-	3,250	2,936	314
Student Council	2,948	426	1,811	1,563
Student Fees	9,433	19,117	12,175	16,375
Student Incentive	-	192	66	126
Student Vending	1,885	775	1,769	891
Studio 7	330	756	372	714
Susan Moore	804	-	350	454
SWAT	8	-	-	8
Sweet 16 BBSKT	-	1,861	1,861	-
Swimming	1,044	3,088	3,198	934
Teacher Incentive	804	2,098	2,390	512
Teacher Sub Account	-	5,118	5,118	-
Technology Student	236	2,724	1,610	1,350
Textbook Rental	100	9,221	9,320	1
Toyota Classic	57,101	103,035	138,215	21,921
Transportation	53	9,316	9,369	-
Varsity Cheer Red	4,433	5,980	9,366	1,047
Vo-Ag	404	6,959	6,588	775
Volleyball	3,793	6,123	4,465	5,451
Website	-	849	849	-
Writer's Club	266	-	266	-
YAAD	2,883	1,462	1,143	3,202
Young Dems	-	150	-	150
Young Historians	16	691	691	16
Young Politicians	132	-	-	132
Youth Impact Club	602	215	(71)	888
4-H Club	300	230	-	530
Subtotal	318,531	1,215,895	1,248,628	285,798
Transfers	-	384,795	384,795	-
	<u>\$ 318,531</u>	<u>\$ 831,100</u>	<u>\$ 863,833</u>	<u>\$ 285,798</u>

See accompanying independent auditor's report.

SCOTT COUNTY SCHOOL DISTRICT

STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE - BUDGET AND ACTUAL

GENERAL FUND

Year ended June 30, 2008

	Budgeted Amounts		Actual	Variance with Final Budget Favorable (Unfavorable)
	Original	Final		
Revenues				
From local sources				
Taxes				
Property taxes	\$ 7,487,598	\$ 7,487,598	\$ 7,523,050	\$ 35,452
Motor vehicle taxes	1,592,778	1,592,778	1,745,981	153,203
Utility taxes	3,550,000	3,550,000	3,730,896	180,896
Occupational license fee	5,294,955	4,694,955	5,172,135	477,180
Tuition and fees	2,152	2,152	5,301	3,149
Earnings on investments	613,000	613,000	621,532	8,532
Other local revenues	1,938,911	1,941,911	2,005,215	63,304
State sources				
SEEK	23,459,213	23,517,333	23,517,333	-
Other	107,500	107,500	111,126	3,626
Federal - direct	120,000	120,000	67,862	(52,138)
Other revenues	-	-	7,746	7,746
On-behalf revenues	-	-	8,750,911	8,750,911
Total revenue	<u>44,166,107</u>	<u>43,627,227</u>	<u>53,259,088</u>	<u>9,631,861</u>
Expenditures				
Instruction	28,214,484	28,229,349	32,942,225	(4,712,876)
Support services				
Student	2,683,483	2,768,051	3,266,290	(498,239)
Instruction staff	2,454,047	2,493,889	2,729,757	(235,868)
District administration	996,905	1,003,510	1,114,523	(111,013)
School administration	2,919,992	2,800,149	3,205,853	(405,704)
Business	1,011,494	1,038,604	1,052,411	(13,807)
Plant operation and maintenance	4,842,297	4,853,361	5,008,400	(155,039)
Student transportation	3,706,049	3,229,654	3,507,752	(278,098)
Central office	111,135	111,135	9,124	102,011
Facilities acquisition and construction	893,240	599,382	455,407	143,975
Community service activities	277,586	277,586	472,128	(194,542)
Debt service	47,932	47,932	47,932	-
Contingency	2,201,153	2,201,153	-	2,201,153
Total expenditures	<u>50,359,797</u>	<u>49,653,755</u>	<u>53,811,802</u>	<u>(4,158,047)</u>
Excess (deficit) of revenues over expenditures	(6,193,690)	(6,026,528)	(552,714)	5,473,814
Other financing sources (uses)				
Proceeds from sale of fixed assets	-	27,497	44,676	17,179
Operating transfers in	90,519	90,519	64,803	(25,716)
Operating transfers out	(129,988)	(324,647)	(314,520)	10,127
Total other financing uses	<u>(39,469)</u>	<u>(206,631)</u>	<u>(205,041)</u>	<u>1,590</u>
Deficit of revenues and other financing sources over expenditures and other financing uses	(6,233,159)	(6,233,159)	(757,755)	5,475,404
Fund balance, June 30, 2007	<u>6,233,159</u>	<u>6,233,159</u>	<u>6,233,159</u>	<u>-</u>
Fund balance, June 30, 2008	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 5,475,404</u>	<u>\$ 5,475,404</u>

See accompanying independent auditor's report.

SCOTT COUNTY SCHOOL DISTRICT

**STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE -
BUDGET AND ACTUAL**

SPECIAL REVENUE FUND

Year ended June 30, 2008

	<u>Budgeted Amounts</u>		<u>Actual</u>	<u>Variance with Final Budget Favorable (Unfavorable)</u>
	<u>Original</u>	<u>Final</u>		
Revenues				
Tuition and fees	\$ -	\$ -	\$ 2,450	\$ 2,450
Earnings on investments	-	1,299	10,668	9,369
Other local revenues	83,278	138,541	105,516	(33,025)
State sources				
Other	2,973,986	3,003,263	3,254,608	251,345
Federal - indirect	2,808,602	2,831,003	2,950,361	119,358
On-behalf revenues	-	270,038	271,640	1,602
Total revenue	<u>5,865,866</u>	<u>6,244,144</u>	<u>6,595,243</u>	<u>351,099</u>
Expenditures				
Instruction	4,860,837	5,241,728	5,470,842	(229,114)
Support services				
Student	-	23,957	23,693	264
Instruction staff	433,504	423,704	404,764	18,940
District administration	51,321	51,095	51,151	(56)
Student transportation	30,500	30,000	185,524	(155,524)
Community service activities	509,433	510,153	494,587	15,566
Total expenditures	<u>5,885,595</u>	<u>6,280,637</u>	<u>6,630,561</u>	<u>(349,924)</u>
Deficit of revenues over expenditures	(19,729)	(36,493)	(35,318)	1,175
Other financing sources (uses)				
Operating transfers in	95,248	85,121	85,121	-
Operating transfers out	(75,519)	(48,628)	(49,803)	(1,175)
Total other financing sources	<u>19,729</u>	<u>36,493</u>	<u>35,318</u>	<u>(1,175)</u>
Excess (deficit) of revenues and other financing sources over expenditures and other financing uses	-	-	-	-
Fund balance, June 30, 2007	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Fund balance, June 30, 2008	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>

See accompanying independent auditor's report.

SCOTT COUNTY SCHOOL DISTRICT

SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS

For the Year ended June 30, 2008

	CFDA Number	Pass-Through Number	Disbursements
<u>U.S. DEPARTMENT OF EDUCATION</u>			
Passed through Kentucky Department of Education			
Title I Grants to Local Educational Agencies	84.010	510-540-3107	\$ 342,407
Title I Grants to Local Educational Agencies	84.010	510-540-3108	596,499
Title I Grants to Local Educational Agencies	84.010	510-540-3206	31,093
Total Title I Grants to Local Educational Agencies	84.010		<u>969,999</u>
Migrant Education-State Grant Program	84.011	510-540-3117	5,465
Migrant Education-State Grant Program	84.011	510-540-3118	79,104
Total Migrant Education-State Grant Program	84.011		<u>84,569</u>
Career and Technical Education-Basic Grants to States	84.048	510-540-3486A	346
Career and Technical Education-Basic Grants to States	84.048	510-540-3487	31,181
Career and Technical Education-Basic Grants to States	84.048	510-540-3487A	1,715
Career and Technical Education-Basic Grants to States	84.048	510-540-3488	47,435
Career and Technical Education-Basic Grants to States	84.048	510-540-3627	3,546
Total Career and Technical Education-Basic Grants to States	84.048		<u>84,223</u>
Special Education Cluster:			
Special Education-Grants to States	84.027	510-540-3376	3,695
Special Education-Grants to States	84.027	510-540-3377	31,766
Special Education-Grants to States	84.027	510-540-3378	1,266,330
Total Special Education-Grants to States	84.027		<u>1,301,791</u>
Special Education-Preschool Grants	84.173	510-540-3438	56,087
Total Special Education Cluster			<u>1,357,878</u>
Safe and Drug-Free Schools and Communities-State Grants	84.186	510-540-4067	6,119
Safe and Drug-Free Schools and Communities-State Grants	84.186	510-540-4068	10,581
Total Safe and Drug-Free Schools and Communities-State Grants	84.186		<u>16,700</u>
Tech Prep Education	84.243	510-540-3637	13
Tech Prep Education	84.243	510-540-3638	12,561
Tech Prep Education	84.243	510-540-3638A	2,220
Total Tech Prep Education			<u>14,794</u>
Improving Teacher Quality State Grants	84.367	510-540-4016	1,800
Improving Teacher Quality State Grants	84.367	510-540-4017	8,483
Improving Teacher Quality State Grants	84.367	510-540-4018	275,774
Total Improving Teacher Quality State Grants	84.367		<u>286,057</u>
State Grants for Innovative Programs	84.298	510-540-3347	379
State Grants for Innovative Programs	84.298	510-540-3348	9,935
Total State Grants for Innovative Programs	84.298		<u>10,314</u>
English Language Acquisition Grants	84.365	510-540-3457	15,698
English Language Acquisition Grants	84.365	510-540-3457I	4,336
English Language Acquisition Grants	84.365	510-540-3458	15,920
Total English Language Acquisition Grants	84.365		<u>35,954</u>
Education Technology State Grants	84.318	510-540-4256	4,849
Education Technology State Grants	84.318	510-540-4257	9,085
Education Technology State Grants	84.318	510-540-4258	6,033
Total Education Technology State Grants	84.318		<u>19,967</u>
Adult Education-State Grant Program	84.002	510-540-3738	44,119
Adult Education-State Grant Program	84.002	510-540-3738S	2,332
Adult Education-State Grant Program	84.002	510-540-3658S	12,456
Total Adult Education-State Grant Program	84.002		<u>58,907</u>
Norm Reference Testing	84.369	S369A070018	3,840
Total U.S. Department of Education			\$ <u>2,943,202</u>

See accompanying independent auditor's report.

SCOTT COUNTY SCHOOL DISTRICT

SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS

For the Year ended June 30, 2008

	<u>CFDA Number</u>	<u>Pass-Through Number</u>	<u>Disbursements</u>
<u>U.S. DEPARTMENT OF AGRICULTURE</u>			
Passed through State Department of Education			
Child Nutrition Cluster:			
National School Lunch Program	10.555	510-540-08	\$ 1,003,426
School Breakfast Program	10.553	510-540-08	294,909
Summer Food Service Program for Children	10.559	510-540-07	22,166
Summer Food Service Program for Children	10.559	510-540-08	28,410
Total Summer Food Service Program for Children	10.559		<u>50,576</u>
Total Child Nutrition Cluster			<u>1,348,911</u>
Passed through the Kentucky Department of Agriculture			
Food Distribution	10.555	N/A	<u>198,858</u>
Total of U.S. Department of Agriculture			\$ <u>1,547,769</u>
<u>U.S. Department of Health and Human Services</u>			
Passed through State Department of Education			
Temporary Assistance for Needy Families	93.558	510-540-3818	\$ 4,823
Passed through State Department of Education			
Medical Assistance Program	93.778	N/A	14,138
Passed through Ohio Valley Educational Cooperative:			
Assistance Programs for Chronic Disease Prevention and Control	93.945	510-540-4223	<u>147</u>
Total U.S. Department of Health and Human Services			\$ <u>19,108</u>
<u>U.S. Corporation for National and Community Service</u>			
Learn and Serve America-School and Community Based Programs	94.004	510-540-6757	\$ <u>2,193</u>
Total U.S. Corporation for National and Community Service			\$ <u>2,193</u>
Total Expenditures of Federal Awards			\$ <u>4,512,272</u>

See accompanying independent auditor's report.

SCOTT COUNTY SCHOOL DISTRICT

NOTES TO SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS

For the Year ended June 30, 2008

NOTE A - BASIS OF PRESENTATION

The accompanying schedule of expenditures of federal awards includes the federal grant activity of the Scott County School District and is presented on the accrual basis of accounting. The information in this schedule is presented in accordance with the requirements of OMB Circular A-133, Audits of States, Local Governments, and Non-Profit Organizations.

NOTE B - FOOD DISTRIBUTION

Nonmonetary assistance is reported in the schedule at the fair value of the commodities disbursed. The District no longer maintains a separate commodities inventory due to changes in program regulations.

Scott County School District

SCHEDULE OF FINDINGS AND QUESTIONED COSTS

For the Year ended June 30, 2008

Section I-Summary of Auditor's Results

Financial Statements

Type of auditor's report issued - Unqualified

Internal control over financial reporting:

- Material weakness(es) identified? _____yes X no
- Significant deficiencies identified that are not considered to be material weaknesses? _____yes X none reported
- Noncompliance material to financial statements noted? _____yes X no

Federal Awards

Internal control over major programs:

- Material weakness(es) identified? _____yes X no
- Significant deficiencies identified that are not considered to be material weakness(es)? _____yes X none reported

Type of auditor's report issued on compliance for major programs - Unqualified

- Any audit findings disclosed that are required to be reported in accordance with section 510(a) of Circular A-133? _____yes X no

Identification of major programs:

CFDA Number(s)

Name of Federal Program or Cluster

84.027, 84.173

Special Education Cluster

- Dollar threshold used to distinguish Between type A and type B programs: \$300,000
- Auditee qualified as low-risk auditee? X yes _____ no

Section II - Financial Statement of Findings

No matters were reported.

Section III - Federal Award Findings and Questioned Costs

No matters were reported.

SCOTT COUNTY SCHOOL DISTRICT
SCHEDULE OF PRIOR YEAR FINDINGS

June 30, 2008

There were no prior year audit findings.

Mountjoy & Bressler, LLP

REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT OF FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE WITH GOVERNMENT AUDITING STANDARDS

Members of the Board of Education
Scott County School District
Georgetown, Kentucky

We have audited the accompanying financial statements of Scott County School District as of and for the year ended June 30, 2008, and have issued our report thereon dated November 13, 2008. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in Governmental Auditing Standards, issued by the Comptroller General of the United States.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered Scott County School District's internal control over financial reporting as a basis for designing our auditing procedures for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of Scott County School District's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the District's internal control over financial reporting.

A control deficiency exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect misstatements on a timely basis. A significant deficiency is a control deficiency, or combination of control deficiencies, that adversely affects Scott County School District's ability to initiate, authorize, record, process, or report financial data reliably in accordance with generally accepted accounting principles, such that there is more than a remote likelihood that a misstatement of Scott County School District's financial statements that is more than inconsequential will not be prevented or detected by Scott County School District's internal control.

A material weakness is a significant deficiency, or combination of significant deficiencies, that results in more than a remote likelihood that a material misstatement of the financial statements will not be prevented or detected by the Scott County School District's internal control.

Our consideration of the internal control over financial reporting was for the limited purpose described in the first paragraph of this section and would not necessarily identify all deficiencies in internal control that might be significant deficiencies or material weaknesses. We did not identify any deficiencies in internal control over financial reporting that we consider to be material weaknesses, as defined above.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether Scott County School District's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws and grant agreements, noncompliance with which could have a direct and material effect on their determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under Government Auditing Standards. In addition, the results of our tests disclosed no instances of noncompliance with specific state statutes or regulations identified in Appendix II of the Independent Auditor's Contract - State Audit Requirements. However, we noted certain matters that we reported to the management of Scott County School District in a separate letter dated November 13, 2008.

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This report is intended solely for the information and use of the members of the Kentucky State Committee for School District Audits, the members of the Board of Education of Scott County School District, the Kentucky Department of Education management and federal awarding agencies and pass-through entities, and specified legislative or regulatory bodies and is not intended to be and should not be used by anyone other than these specified parties.

Maunz & Bruckner, LLP

Lexington, Kentucky
November 13, 2008

**REPORT ON COMPLIANCE WITH REQUIREMENTS
APPLICABLE TO EACH MAJOR PROGRAM AND ON INTERNAL CONTROL
OVER COMPLIANCE IN ACCORDANCE WITH OMB CIRCULAR A-133**

Members of the Board of Education
Scott County School District
Georgetown, Kentucky

Compliance

We have audited the compliance of Scott County School District (the District) with the types of compliance requirements described in the U.S. Office of Management and Budget (OMB) Circular A-133 Compliance Supplement that are applicable to each of its major federal programs for the year ended June 30, 2008. Scott County School District's major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs. Compliance with the requirements of laws, regulations, contracts, and grants applicable to each of its major federal programs is the responsibility of Scott County School District's management. Our responsibility is to express an opinion of Scott County School District's compliance based on our audit.

We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States; and OMB Circular A-133, Audits of States, Local Governments, and Non-Profit Organizations and the audit requirements prescribed by the Kentucky State Committee for School District Audits in Appendix II of the Independent Auditor's Contract - State Audit Requirements. Those standards and OMB Circular A-133 require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about Scott County School District's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances. We believe that our audit provides a reasonable basis for our opinion. Our audit does not provide a legal determination of Scott County School District's compliance with those requirements.

In our opinion, the Scott County School District complied, in all material respects, with the requirements referred to above that are applicable to each of its major federal programs for the year ended June 30, 2008.

Internal Control Over Compliance

The management of Scott County School District is responsible for establishing and maintaining effective internal control over compliance with the requirements of laws, regulations, contracts, and grants applicable to federal programs. In planning and performing our audit, we considered Scott County School District's internal control over compliance with requirements that could have a direct and material effect on a major federal program in order to determine our auditing procedures for the purpose of expressing our opinion on compliance, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of Scott County School District's internal control over compliance.

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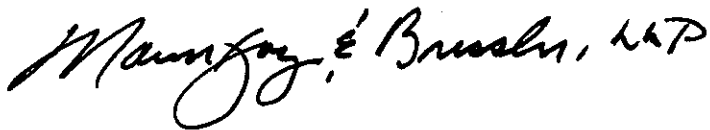
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A control deficiency in an entity's internal control over compliance exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect noncompliance with a type of compliance requirement of a federal program on a timely basis. A significant deficiency is a control deficiency, or combination of control deficiencies, that adversely affects the entity's ability to administer a federal program such that there is more than a remote likelihood that noncompliance with a type of compliance requirement of a federal program that is more than inconsequential will not be prevented or detected by the entity's internal control.

A material weakness is a significant deficiency, or combination of significant deficiencies, that results in more than a remote likelihood that material noncompliance with a type of compliance requirement of a federal program will not be prevented or detected by the entity's internal control.

Our consideration of the internal control over compliance was for the limited purpose described in the first paragraph of this section and would not necessarily identify all deficiencies in internal control that might be significant deficiencies or material weaknesses. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses, as defined above.

This report is intended solely for the information and use of the members of the Kentucky State Committee for School District Audits, the members of the Board of Education of Scott County School District, the Kentucky Department of Education management and federal awarding agencies and pass-through entities, and specified legislative or regulatory bodies and is not intended to be and should not be used by anyone other than these specified parties.

A handwritten signature in black ink, reading "Maunz & Bruns, LLP". The signature is written in a cursive, flowing style.

Lexington, Kentucky
November 13, 2008

MANAGEMENT LETTER COMMENTS

Members of the Board of Education of
Scott County School District
Georgetown, Kentucky

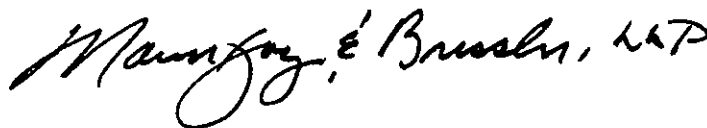
In planning and performing our audit of the financial statements of Scott County School District for the year ended June 30, 2008, we considered the District's internal control in order to determine our auditing procedures for the purpose of expressing an opinion on the financial statements and not to provide assurance on internal control.

During our audit we became aware of several matters we consider to be deficiencies in internal control. The memorandum that accompanies this letter summarizes our comments and suggestions regarding those matters. This letter does not affect our report dated November 13, 2008 on the financial statements of Scott County School District.

We will review the status of these comments during our next audit engagement. We have already discussed many of these comments and suggestions with management and will be pleased to discuss them in further detail at your convenience, to perform any additional study of these matters, or to assist you in implementing these recommendations.

This communication is intended solely for the information and use of the members of the Kentucky State Committee for School District Audits, the members of the Board of Education of Scott County School District, the Kentucky Department of Education, management and federal awarding agencies and pass-through entities, and specified legislative or regulatory bodies and is not intended to be and should not be used by anyone other than these specified parties.

Respectfully,
Mountjoy & Bressler, LLP



Lexington, Kentucky
November 13, 2008

SCOTT COUNTY SCHOOL DISTRICT

SCOTT COUNTY SCHOOL DISTRICT

MANAGEMENT LETTER COMMENTS

June 30, 2008

Management Override of Controls

During preliminary audit fieldwork, it was noted that the Director of Business and Finance is designated as a system administrator, has full access to the general ledger, possesses the ability to prepare and post journal entries, and may transact ACH transfers on the operating account via on-line access. While mitigating controls requiring all journal entries to be signed by both preparer and posting individual and maintained on file have been instituted, it is recommended that some additional controls are implemented to further reduce risk exposure in this area. We recommend that the ability to set up system user access limits as determined by the Director of Business and Finance is limited to members of the information technology department and that the District designate someone other than the Director of Business and finance to sign ACH transfer authorization forms in the event of the Chief Accountant's absence.

Management's Response

Prior Year Comments

Prior year comment pertaining to food service has been addressed and rectified.

Prior year comment related to duty segregation has been addressed and rectified.

SCOTT COUNTY SCHOOL DISTRICT

SCOTT COUNTY HIGH SCHOOL ACTIVITY FUNDS

MANAGEMENT LETTER COMMENTS

June 30, 2008

Purchase of Items for Staff

Three instances were noted when personal items for teachers and staff were purchased with funds generated by students. According to the "Accounting Procedures for Kentucky School Activity Funds," personal items for staff may only be purchased with funds generated by staff.

Management Response

No school activity money shall be used to purchase personal items for staff members even with a reimbursement agreement. Only staff generated funds including proceeds from snack machines in staff areas, shall be used for staff gifts, dinners, etc.

Deposits

One instance was noted where a deposit was not made on a timely basis. According to the "Accounting Procedures for Kentucky School Activity Funds," all monies collected should be deposited on a daily basis.

Management Response

Deposits will be made on a daily basis as deemed by "Account Procedures for Kentucky School Activity Funds."

Prior Year Comments

Prior year comments on dual signatures, deposit verification, school-wide fundraisers, deposits for ticket sales, multiple receipt forms and advances have been properly addressed and corrected.

Prior year comments on purchases of items for staff have not been properly addressed nor corrected. These comments have been repeated in the current year.

SCOTT COUNTY SCHOOL DISTRICT

GEORGETOWN MIDDLE SCHOOL ACTIVITY FUNDS

MANAGEMENT LETTER COMMENTS

June 30, 2008

Transfers

One instance was noted in which a transfer form was not properly completed. According to the "Accounting Procedures for Kentucky School Activity Funds," all transfers should be signed by the sponsor of the remitting activity account and the principal.

Management's Response

Transfers between Activity Funds shall be completed on a Transfer Form and signed by the sponsor of the remitting activity account and the principal.

Prior Year Comments

Prior year comments on dual signatures, ticket sales controls and multiple receipt forms have been properly addressed and corrected.

SCOTT COUNTY SCHOOL DISTRICT

SCOTT COUNTY MIDDLE SCHOOL ACTIVITY FUNDS

MANAGEMENT LETTER COMMENTS

June 30, 2008

Ticket Sales Controls

One instance was noted where the Form F-SA-1 was not properly completed by gate personnel. The "Accounting Procedures for Kentucky School Activity Funds" states that the person in charge of ticket sales should complete Form F-SA-1 with a reconciliation, explanation of shortages/overages and signatures and return to the school treasurer.

Management's Response

Measures are being taken to assure that all ticket sale forms are complete when returned to bookkeeper.

Support Organization Reporting

An instance was noted where a support organization did not submit a list of officers, or annual budget of receipts and expenditures to the principal. The "Accounting Procedures for Kentucky School Activity Funds" states that these items should be submitted by each organization to the principal on an annual basis.

Management's Response

Bookkeeper will see that a list of officers, annual budget receipt and expenditures is submitted to bookkeeper/principal annually.

Purchase Orders

Three instances were noted in which a purchase order was not properly approved upon filing with the school treasurer.

Management's Response

Measures will be taken to assure that the principal signs off on all purchase orders.

Prior Year Comments

Prior year comments on dual signatures, multiple receipt forms, deposit verification, voided checks, and sequential order have been properly addressed and corrected.

Prior year comments on ticket sales controls have not been properly addressed and corrected. The comments have been repeated in the current year.

SCOTT COUNTY SCHOOL DISTRICT

ANNE MASON ELEMENTARY SCHOOL ACTIVITY FUNDS

MANAGEMENT LETTER COMMENTS

June 30, 2008

No current year comments.

Prior Year Comments

No prior year comments.

SCOTT COUNTY SCHOOL DISTRICT

EASTERN ELEMENTARY SCHOOL ACTIVITY FUNDS

MANAGEMENT LETTER COMMENTS

June 30, 2008

No current year comments.

Prior Year Comments

Prior year comments on multiple receipt forms and dual signatures have been properly addressed and corrected.

SCOTT COUNTY SCHOOL DISTRICT

GARTH ELEMENTARY SCHOOL ACTIVITY FUNDS

MANAGEMENT LETTER COMMENTS

June 30, 2008

No current year comments.

Prior Year Comments

Prior year comments on ticket sales controls have been properly addressed and corrected.

SCOTT COUNTY SCHOOL DISTRICT

NORTHERN ELEMENTARY SCHOOL ACTIVITY FUNDS

MANAGEMENT LETTER COMMENTS

June 30, 2008

No current year comments.

Prior Year Comments

No prior year comments.

SCOTT COUNTY SCHOOL DISTRICT

SOUTHERN ELEMENTARY SCHOOL ACTIVITY FUNDS

MANAGEMENT LETTER COMMENTS

June 30, 2008

Deposits

One instance was noted where a deposit was not made on a timely basis. According to the "Accounting Procedures for Kentucky School Activity Funds," all monies collected should be deposited on a daily basis.

Management's Response

Deposits will be made on a daily basis as deemed by "Account Procedures for Kentucky School Activity Funds."

Purchase Orders

One instance was noted in which a purchase order was not properly approved upon filing with the school treasurer.

Management's Response

Extra caution will be taken to ensure proper signatures are obtained on all purchase orders prior to issuance.

Approval of Purchase Requisition

Three instances were noted where the authorized purchasing agent did not sign the purchase requisitions. According to the "Accounting Procedures for Kentucky School Activity Funds," a purchase requisition shall be prepared and approved by the sponsor and principal before the payment is obligated.

Management's Response

Both principal and bookkeeper will double check all signatures before issuing Purchase Orders.

Prior Year Comments

Prior year comments on bank statements and purchase orders have been properly addressed and corrected.

SCOTT COUNTY SCHOOL DISTRICT

STAMPING GROUND ELEMENTARY SCHOOL ACTIVITY FUNDS

MANAGEMENT LETTER COMMENTS

June 30, 2008

Transfers

One instance was noted in which a transfer form was not properly completed. According to the "Accounting Procedures for Kentucky School Activity Funds," all transfers should be signed by the sponsor of the remitting activity account and the principal.

Management's Response

Transfers between Activity Funds shall be completed on a Transfer Form and signed by the sponsor of the remitting activity account and the principal.

Prior Year Comments

Prior year comments on dual signatures and multiple receipt forms have been properly addressed and corrected.

SCOTT COUNTY SCHOOL DISTRICT

WESTERN ELEMENTARY SCHOOL ACTIVITY FUNDS

MANAGEMENT LETTER COMMENTS

June 30, 2008

No current year comments.

Prior Year Comments

Prior year comment on dual signatures has been properly addressed and corrected.

SCOTT COUNTY SCHOOL DISTRICT

NINTH GRADE SCHOOL ACTIVITY FUNDS

MANAGEMENT LETTER COMMENTS

June 30, 2008

Dual signatures

One instance was noted where there were not two signatures on a check. According to the "Accounting Procedures for Kentucky School Activity Funds," all checks should be signed by two authorized individuals.

Management's Response

The Principal and school bookkeeper will review the process implemented to ensure both have signed all checks and will take additional precautions to ensure all checks contain two signatures.

Approval of Purchase Requisition

One instance was noted where the authorized purchasing agent did not sign the purchase requisition. According to the "Accounting Procedures for Kentucky School Activity Funds," a purchase requisition shall be prepared and approved by the sponsor and principal before the payment is obligated.

Management's Response

Extra precaution will be taken to ensure proper signatures are obtain on all purchase requisitions.

Prior Year Comments

Prior year comments on bank statements have been properly addressed and corrected.

SCOTT COUNTY SCHOOL DISTRICT

ROYAL SPRING MIDDLE SCHOOL

MANAGEMENT LETTER COMMENTS

June 30, 2008

Dual Signatures

Three instances were noted when there were not two signatures on a check. According to the "Accounting Procedures for Kentucky School Activity Funds," all checks should be signed by two authorized individuals.

Management Response

The Principal and school bookkeeper will review the process to ensure both have signed all checks and will take additional precautions to ensure all checks contain two signatures.

Multiple Receipt Forms

Two instances were noted where the original deposit slips were not included with the FSA-6 Multiple Receipt Forms. According to the "Accounting Procedures for Kentucky School Activity Funds," the school treasurer shall prepare deposit slips and retain a copy of all checks to be deposited.

Management Response

The bookkeeper will review each multiple receipt and will sign after reviewing the form for accuracy.

Ticket Sales Controls

One instance was noted where the Form F-SA-1 was not properly completed by gate personnel. The "Accounting Procedures for Kentucky School Activity Funds" states that the person in charge of ticket sales should complete Form F-SA-1 with a reconciliation, explanation of shortages/overages and signatures and return to the school treasurer.

Management's Response

All ticket sales reconciliation forms will be filled out completely by gate person and then checked for accuracy by the Central Fund Treasurer.

Approval of Purchase Requisition

One instance was noted where the authorized purchasing agent did not sign the purchase requisition. According to the "Accounting Procedures for Kentucky School Activity Funds," a purchase requisition shall be prepared and approved by the sponsor and principal before the payment is obligated.

Management's Response

Extra caution will be taken to ensure proper signatures are obtained on all purchase requisitions.

Prior Year Comments

Prior year comments on bank statements and multiple receipt forms have been properly addressed and corrected.

Prior year comments on dual signatures have not been properly addressed and corrected. These comment have been repeated in the current year.